To distribute, control and regulate beverage and gaming products throughout Saskatchewan in ways that promote social responsibility, fairness and cost-effectiveness.

Annual Report 1998-1999

Saskatchewan Liquor and Gaming Authority

100-04587/

Table of Contents

Letters of Transmittal	2
Organization Chart	4
President's Message	5
Structure and Mandate	7
Social Responsibility	9
Liquor	
Permittees	13
Operations	15
Gaming	
Casinos	25
VLT Program	27
Charity Gaming	29
Horse Racing	31
Compliance	35
Internal Operations	37
Financial	41
Commission Report	55

Our Mission

To distribute, control and regulate beverage alcohol and gaming products throughout Saskatchewan in ways that promote social responsibility, fairness and cost-effectiveness.

Our Vision and Values

- Access by the public to liquor and gaming products, services and benefits is fair.
- Public use of liquor and gaming products is responsible.
- Revenues produced by liquor and gaming assist charities, business and the province to realize their goals.
- Our customer service is excellent, our business operations are progressive and mutual respect is practiced among all employees.

MINISTER'S LETTER OF TRANSMITTAL

Regina, Saskatchewan
February, 1999

The Honourable Lynda Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

I am pleased to submit the annual report of the Saskatchewan Liquor and Gaming Authority for the period ending March 31, 1999. This report includes the financial statements in the form required by the Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act*.

During 1998/99, the Authority built on past successes and introduced some new initiatives to improve the liquor and gaming industries in the province for stakeholders, consumers and the general public. It was a successful year, and I look forward to seeing the Authority's efforts result in even more benefits in the coming year.

Respectfully submitted,

Doreen Hamilton
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

PRESIDENT'S LETTER OF TRANSMITTAL

Regina, Saskatchewan
February, 1999

The Honourable Doreen Hamilton
Minister Responsible for the
Saskatchewan Liquor and Gaming Authority

Madam:

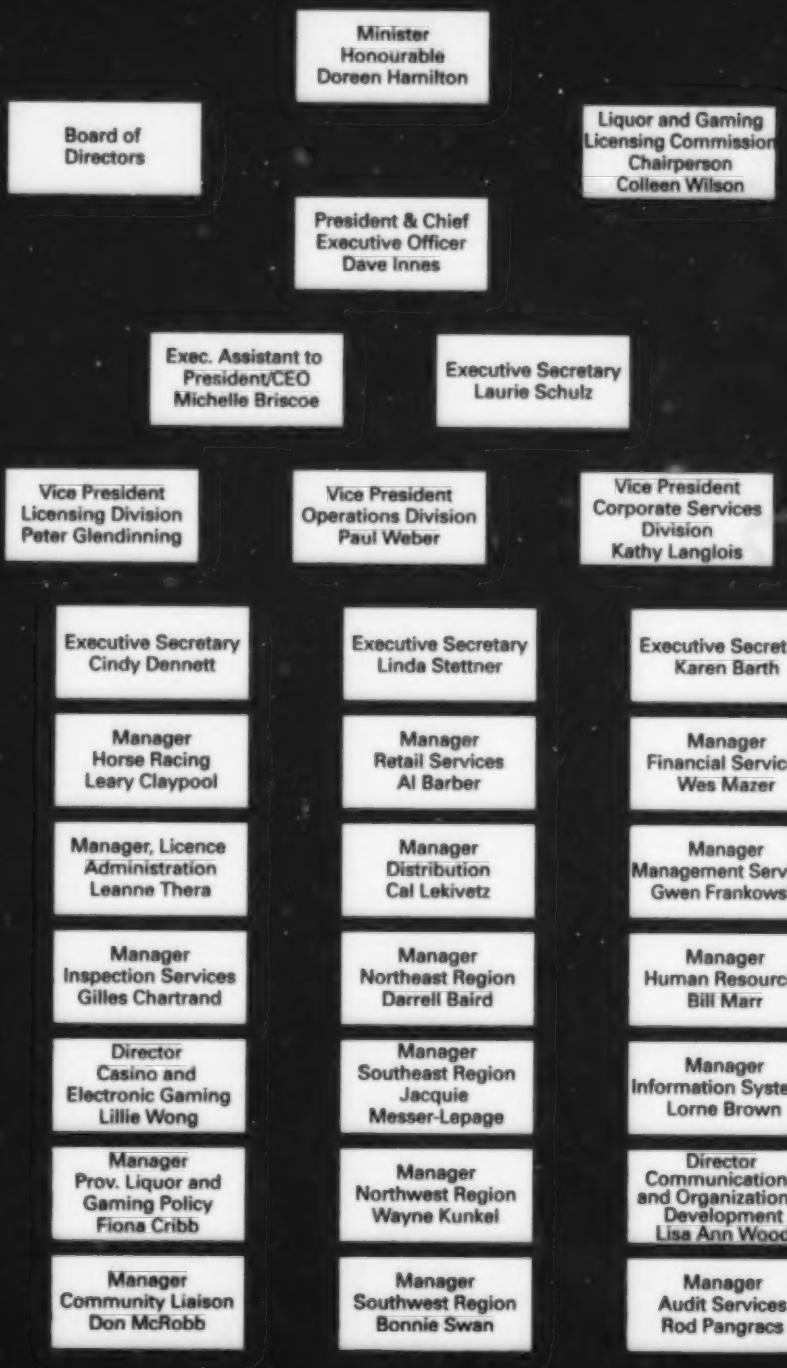
On behalf of the staff of the Authority, I am pleased to present the sixth annual report of the Saskatchewan Liquor and Gaming Authority for your consideration. This report details the activities of the Authority for the fiscal year ending March 31, 1999 in accordance with *The Alcohol and Gaming Regulation Act*.

Sincerely,

Dave Innes
President and CEO

ORGANIZATION CHART

Saskatchewan
Liquor and Gaming
Authority



OCTOBER 1999

1998/99 was marked by solid accomplishments for the Saskatchewan Liquor and Gaming Authority, as it balanced economics with social responsibility to provide funding to support key government programs in areas including health, education and highways.

The Authority's commitment to social responsibility was shown in 1998/99 through continued funding of several initiatives, the sponsorship of a VLT training program on problem gambling, and the planned launch of a new identification program.

Through continued sponsorship of the province's designated driver program, *Have Someone for the Road,* the Authority provided support to this worthwhile initiative to curb drinking and driving in the province. Other social responsibility sponsorships included continued support of Fetal Alcohol Syndrome (FAS) awareness, and support for the *It's Good Business* server intervention program.

A new identification policy for all Authority liquor stores, and those hospitality operations who wish to participate, will be launched in June. The policy, designed to discourage purchase of alcohol by minors, will tighten identification requirements for those individuals purchasing liquor, requiring them to show three pieces of identification.

In addition, a VLT site contractor training program sponsored by the

Authority trained more than 800 servers, managers and owners of VLT sites about problem gambling. The program provides training to VLT site contractors to enable them to develop socially responsible business policies, including a range of customer assistance strategies to help patrons who may have a problem with VLT gaming.

In February 1999, the Authority's Minister, the Honourable Doreen Hamilton, signed an Aboriginal Partnership Agreement on behalf of the Authority.

Organizationally, the Authority created a new branch, named Community Liaison. This branch provides education and training on the regulations and terms and conditions governing liquor and gaming in the province, through one-on-one contact, group consultations, and community presentations for our clients. We anticipate this branch will be very successful in assisting the groups which use the liquor and gaming systems to gain knowledge on the requirements and restrictions surrounding these industries in the province.

Recognizing that its success and contributions to the province depend upon healthy, motivated and well-trained staff, supported by quality business operations, the Authority is committed to continuous improvement and renewal.

In February 1999, the Authority's Minister, the Honourable Doreen Hamilton, signed an Aboriginal Partnership Agreement on behalf of the Authority, along with the provincial Minister of Intergovernmental and Aboriginal Affairs (IAA). Under this partnership, the Authority will work with IAA, the aboriginal community, the union and

employees to develop programs that facilitate constructive race and cultural relations within the Authority, focus on aboriginal employment and career development in the context of a representative workforce, and build linkages to the aboriginal labour force.

Efforts continued to maintain and enhance a positive working relationship with the three bargaining units that represent all in-scope staff in the Authority. The Authority and the three units continue to work towards a single, amalgamated agreement for all in-scope staff of the Authority.

Also this year, the Authority signed a partnership agreement with the federal government, providing all full-time and part-time SLGA staff with access to a comprehensive, up-to-date library of print, video and audio learning materials. In addition, the Authority continued to deliver the Leadership Development Program to staff, involving staff in substantive and innovative workshops that enhance personal leadership effectiveness and foster a supportive, accepting, learning culture that embraces diversity and inclusiveness.

During 1998/99, the Authority implemented various modules of PeopleSoft's ™ Enterprise Resource Planning (ERP) system. Financial modules consisting of general ledger, accounts payable and purchasing went live in October 1998. Human resource and payroll followed closely in January 1999. Asset management and budget installations will occur in late spring of 1999. The ERP system will result in the automation of many business processes, which will improve operational efficiency.

The province's liquor store system was improved during 1998/99. Renovations were completed to the South Albert Liquor Store in Regina, and the liquor store in Weyburn. Plans were also announced for an upgrade of the Humboldt liquor store, and plans for a partnership between the Authority, the City of Moose Jaw, and its tourism groups to renovate the historic CP Rail Station into a liquor store were also announced. As of March 31, 1999, there were 81 liquor stores in the province, and 187 franchise operations.

Casinos in the province continued to perform well, establishing themselves as part of the province's entertainment and tourism industry. First Nations-operated casinos are located in Prince Albert, Yorkton, North Battleford and on the White Bear Reserve, near Carlyle. Casino Regina operates from the province's capital, and is managed and owned by the Saskatchewan Gaming Corporation. In addition, the Saskatoon Prairieland Exhibition Corporation operates the Emerald Casino on a full-time basis in Saskatoon, and the Golden Nugget Casino is operated four days a week in Moose Jaw by that city's exhibition association. All casinos are regulated by the Liquor and Gaming Authority.

First Nations casinos provided employment for 1,063 people this fiscal year, 71 per cent of whom are aboriginal.

First Nations casinos provided employment for 1,063 people this fiscal year, 71 per cent of whom are aboriginal.

The province's hospitality industry was also strengthened in 1998/99, with more liquor permits issued and improved VLT revenues to site contractors. Charity gaming revenues continued to be stable, and planning continues for the introduction of initiatives such as linked bingo and breakopen ticket vending machines, which are intended to further enhance charity gaming revenues. The horse racing handle increased in 1998/99, driven by more wagering for both live racing and teletheatres.

In closing, I would like to thank the Minister, the Board and the management and staff of the Authority for your support, guidance and contributions to our success in 1998/99. I look forward to continuing our achievements in the coming year.

The Saskatchewan Liquor and Gaming Authority is a Treasury Board Crown corporation responsible for the distribution, control and regulation of liquor and gaming across the province. The Authority achieves this purpose through socially responsible, fair, and cost-effective services and programs delivered by employees located at: its head office in downtown Regina; a liquor distribution centre in Regina; an office in downtown Saskatoon; and a network of 81 liquor stores in communities throughout the province.

The Authority is the main distributor of and sole licensing agent for the sale of beverage alcohol in Saskatchewan. It also operates the video lottery terminal program through its agent, Western Canada Lottery Corporation, and licenses and regulates most forms of gaming, including bingo, raffles, casinos, breakopen tickets and horse racing.

Overall, the Authority is guided in its operations by the following strategic goals:

- To provide and control equitable licensing and revenue opportunities to charities and business;
- To promote responsible use of liquor and gaming products;
- To promote and improve integrity in the liquor and gaming industries;
- To build responsive, cooperative relations with customers, interest groups and the public;
- To develop and maintain legislation and policy that is fair, clear and contemporary;
- To achieve net income targets through innovative revenue and expenditure strategies; and
- To improve service, teamwork and business processes continuously throughout the Authority.

The Authority is governed by *The Alcohol and Gaming Regulation Act*. It administers *The Alcohol Control Regulations, 1994* and *The Gaming Licensing Regulations*.

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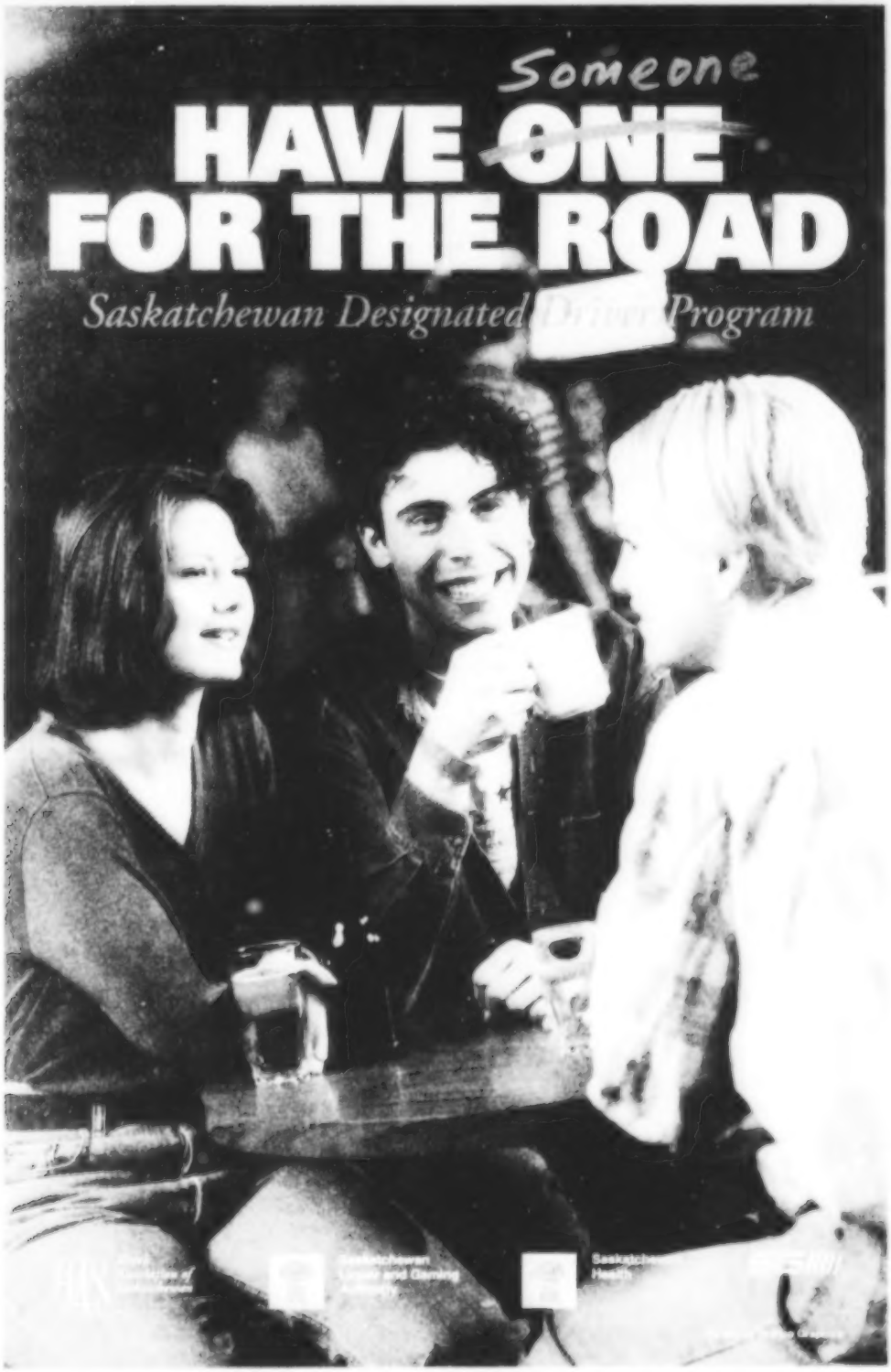
Someone
HAVE ONE
FOR THE ROAD
Saskatchewan Designated Driver Program

The Saskatchewan Liquor and Gaming Authority continued to guide and provide support to various social responsibility initiatives during 1998/99, as part of its mission to distribute, control and regulate beverage alcohol and gaming products in ways which promote social responsibility, fairness and cost effectiveness.

The Authority continued to play a partnership role in anti-drinking and driving initiatives, and initiatives aimed at educating the public on the dangers of drinking alcohol during pregnancy. In addition, the Authority provided training for servers in establishments with video lottery terminals (VLTs) to assist them in gaining knowledge about gambling addictions. The Authority also plans to launch its own improved identification requirements for purchasing alcohol, in cooperation with the liquor permittee industry.

Responsible Use of Liquor

Please Bring Your I.D. Program

Planned for launch at the end of June 1999, the *Please Bring Your I.D.* program is being developed by the Authority, with the cooperation and support of the Hotels Association of Saskatchewan and the Canadian Restaurant and Foodservices Association.

The program will be an interim measure to reduce the availability of alcohol to minors through the use of false identification. Presently, a committee with representatives from the Authority, the liquor industry, and SGI are reviewing identification safeguards for the drivers' licence system in the province, to ensure that these licences, which are often used as proof of age in purchasing liquor, cannot be easily falsified or copied. While the committee continues its work, the Authority will introduce the *Please Bring Your I.D.* program on a mandatory basis in its liquor stores, and on an optional basis for the hospitality industry.

The program will require customers, if they are asked, to provide three pieces of valid identification. The accepted pieces will be:

- Driver's Licence;
- Birth Certificate;
- Treaty Card/Status Card;
- Debit Card;
- Armed Forces Identification Card;
- Baptismal Certificate;
- University or College Identification Card (with photo);
- Health Card;
- Social Insurance Card;
- Credit Card;
- Citizenship Certificate;
- Passport.

One of the three pieces must display the customer's birth date. If a customer does not have three pieces of identification, that person cannot be served at the province's liquor stores. Program materials will also be provided free-of-charge to all 1,600 liquor permitted establishments in the province.

Designated Driver Program

The Authority, in partnership with the Hotels Association of Saskatchewan, SGI and Saskatchewan Health, funds a provincial designated driver program, *Have Someone for the Road*. The Authority has supported the program with $30,000 in annual funding since its establishment in 1995.

Have Someone for the Road promotes the message that individuals should not drink and drive, by encouraging groups to designate a driver. When visiting a participating liquor-permitted establishment, the designated driver receives a wristband or handstamp to identify him or her to the server. The driver receives free, non-alcoholic beverages, and in turn, ensures his or her group gets home safely.

The provincial program, which has also obtained private sector partnership, provides promotional materials to participating establishments below cost. The establishments display materials to promote the program, and provide non-alcoholic beverages to the designated driver. More than 300

establishments are presently promoting the program.

Efforts continued during 1998/99 to develop a longer term vision for this program. Part of this includes incentives for participation, including a program in which participating establishments promoting the program are eligible for monthly prizes and an annual grand prize. This incentive program, introduced in 1997/98, has proven to be very popular with participants. In addition, more advertising of participating establishments is planned for the 1999/2000.

The partnering agencies also identified the need to develop a new look for the *Have Someone for the Road* campaign. The agencies agreed to have new posters developed in 1999/2000. Distribution will likely take place in 2000/2001 to all participating establishments and liquor stores in the province.

The Authority also promotes the responsible use of beverage alcohol through its retail outlets. Since 1995/96, liquor store bags and cash register tapes have carried the *Have Someone for the Road* designated driver message.

Fetal Alcohol Syndrome Awareness

The Authority also continued its work to assist in the prevention of Fetal Alcohol Syndrome (FAS) in the province. FAS is caused by alcohol use during pregnancy, and leads to life-long learning and behavioural difficulties in affected children.

The Authority is a member of the Provincial FAS Coordinating Committee, chaired by the Saskatchewan Institute on Prevention of Handicaps. The committee has representatives from a number of government agencies, as well as community and aboriginal groups.

Liquor store bags and till tapes continue to display an FAS awareness message introduced in October 1997. The message, *Drinking Alcohol During Pregnancy Can Harm the Baby - We Have Fetal Alcohol Syndrome in our Community - Let's Find A Solution,* also appears on posters displayed in the liquor stores and provided to hospitality establishments.

It's Good Business

In 1998/99, the Authority joined SGI, Saskatchewan Health, the Saskatchewan Tourism Education Council and Labatt Breweries in supporting another initiative to address the issue of alcohol problems. The *It's Good Business* server intervention program is coordinated by the education council. It trains servers in liquor permitted establishments effective intervention techniques, if a patron demonstrates a problem with alcohol.

The Authority has a representative on the program's committee and contributes to its overall direction and activities.

Responsible Use of VLTs

SLGA operates and regulates the network of video lottery terminals (VLTs) across the province. As part of its commitment to the responsible use of gaming products, the Authority maintains a cap on the number of VLTs and restricts the placement of VLTs to age-restricted, liquor-permitted establishments. This ensures minors do not play the machines and do not watch them being played.

As well, all VLTs in the province display Saskatchewan's 1-800 Help Line number for problem gamblers on stickers placed next to the machines' buttons and through a message that scrolls across the screen of each VLT. All VLT sites are required to display posters provided by Saskatchewan Health identifying contacts for problem gambling assistance.

To further promote the responsible use of VLTs, in 1998/99, the Authority developed and delivered a site contractor training program. This initiative provides training to VLT site contractors to enable them to develop socially responsible business policies, including a range of customer assistance strategies to help

patrons who may have a problem with VLT gaming.

The program was directed by the VLT Site Contractor Training Steering Committee, which is comprised of representatives from the Authority, the Hotels Association of Saskatchewan, the Restaurant and Foodservices Association and Saskatchewan Health. Following a national request for proposals, a contract was awarded in September 1998 to Davis Ward Consulting and Training of Winnipeg to conduct the training.

The one-day training sessions were mandatory for at least one individual, preferably a manager or owner, in each establishment with VLTs. The cost of the development and delivery of the sessions was paid for by the Authority, while the site contractor was responsible for travel, meal and salary costs.

There were 18 sessions scheduled for eight locations across the province during 1998/99, and an additional session was planned for May 1999. Sessions have been held in Kindersley, Swift Current, Regina, Yorkton, Carlyle, Saskatoon, North Battleford and Prince Albert, and have included more than 800 participants to date.

Following the final sessions, a follow-up questionnaire will be sent to all attendees. Once this feedback is received, the Authority will evaluate the results of the program and formulate an on-going strategy to deal with future training.

The province's hospitality sector remained strong in 1998/99, with an increase in the number of commercial permits issued and the customer service opportunities available to permittees.

Commercial Permittees

The total number of commercial liquor permits issued in the year was 1,691, an increase of 48 from the previous year. The most significant rise was in the Restaurant Permit category, which was up 30 permits over the previous year, to 480. The number of nightclubs, tavern beverage rooms, and special use permits also increased.

The total number of commercial liquor permits issued in the year was 1,691, an increase of 48 from the previous year.

A number of initiatives were introduced during the year to assist permittees in improving their service to customers. In June, a policy which had restricted the installation of automated teller machines in permitted premises was amended. Permittees are now allowed to install the machines, if availability of automated banking services does not exist in the community, or if there are other considerations related to site layout, based on a case-by-case review.

In addition, off-sale outlets saw two improvements during the fiscal year. Off-sale outlets are now allowed to sell imported beer, effective September of this year. This change broadens the number of products available to customers through off-sale outlets, which had previously been restricted to selling domestic beer, wine and coolers. Restrictions on the sale of liquor by off-sale outlets to golf and curling clubs were also lifted in July. Previously, golf and curling clubs had to purchase liquor from a provincial liquor store or franchise for resale in their own premises.

Both of these initiatives will enable the hospitality industry to better serve the needs of their customers and communities.

Special Occasion Permittees

The number of special occasion permits issued decreased by 137 to 20,743 this year, but the system remained well-used by groups, clubs and families in the province. Special occasion permits are issued for events such as: family gatherings, including weddings; community events, such as exhibitions and festivals; and club meetings, so the total number of permits issued in any particular year tends to fluctuate. The number of permits issued in each category also tends to fluctuate.

The number of special occasion permits issued decreased by 137 to 20,743 this year, but the system remained well-used by groups, clubs and families in the province.

For example, this year, the number of Non-Sale permits, which allow liquor to be served, but not sold, at family events, decreased by 466; however, the number of Sale Special Occasion permits, which allow liquor to be sold, increased by 202. In addition, the numbers can fluctuate based on the number of groups which choose to use commercial establishments for their events, as commercial establishments do not need an additional special occasion permit to provide liquor to event guests at their hotel or restaurant.

The special occasion permit system has not been reviewed in a number of years, and the Authority has struck an internal committee to review all aspects of the system. Recommendations regarding any legislative, regulatory or policy amendments will be made in the spring of 2000.

Commercial Liquor Permits Issued

TYPES OF PERMITS	MARCH 31, 1998	MARCH 31, 1999
Tavern Permits (Beverage Rooms)	473	*476
Tavern Permits (Nightclub)	35	39
Tavern Permits (Brew Pub)	12	**12
Restaurant Permits	450	***480
Restaurant Permits (with Lounge Endorsement)	326	327
Special Use Permits	329	****337
Manufacturer Permits (Brew Pubs)	13	15
Manufacturer Permits (Brewer)	4	4
Manufacturer Permits (Winery)	1	1
TOTALS	1,643	1,691

* Five have no off-sale endorsement.
** Five have domestic off-sale endorsement; nine have own product off-sale endorsement.
*** In addition, five seasonal restaurant permits were issued and expired prior to March 31, 1999.
**** In addition, 80 seasonal special use permits were issued and expired prior to March 31, 1999.

Special Occasion Permits and Licences Issued

TYPE OF PERMIT	1994/95	1995/96	1996/97	1997/98	1998/99
Non-Sale	6,826	6,414	5,844	5,868	5,402
Annual	264	163	303	314	279
Sale of Liquor	10,896	10,003	9,756	9,593	9,795
Cost Recovery	3,448	3,704	4,045	4,095	4,066
Community Event	792	769	881	917	1,118
Other	75	84	85	93	83
TOTALS	22,301	21,137	20,914	20,880	20,743

The Authority operates 81 liquor stores, including four full-line specialty stores. Located on Second Avenue and Eighth Street in Saskatoon, and South Albert and Victoria East in Regina, these stores carry all products listed by the Authority. The Authority also licences three duty-free shops located in the Saskatoon and Regina airports and at the North Portal border crossing.

The province's franchise system also continued to flourish in 1998/99, with service provided to 187 communities. The franchise system allows private businesses to enter into an agreement with the Authority to sell beverage alcohol on its behalf in a community not served by a liquor store.

Improvements to the province's liquor retail system continued this year, with a number of customer service enhancements implemented and facilities upgraded. Sales also increased, for the fifth year in a row.

Customer Service Enhancements

A major aspect of the Authority's customer service enhancements is upgrading the province's system of 81 liquor stores. In the process, the Authority is adding a number of new features to its stores which have not previously been available in Saskatchewan.

The major renovation during 1998/99 occurred at the South Albert Liquor Store. Operations were moved out of the building, located on South Albert Street in Regina, to the Southland Mall during the renovations, due to the extent of the work undertaken.

The entire store was renovated inside and out, with a reoriented entrance providing greater access. Retail space was increased from 5,800 square feet to 9,800 square feet, and warehouse space was reduced from 4,000 square feet to 2,800 square feet. Parking was also increased and new signage was incorporated into the new building face. Coolers for imported beer were added to the interior, along with new shelving, flooring, and overall interior design.

The major renovation during 1998/99 occurred at the South Albert Liquor Store. The main innovation is a demonstration kitchen.

The renovated store, which opened in July 1998, also includes a number of new initiatives. The major innovation is a demonstration kitchen, incorporated into the centre of the building. Local restaurants use the space to showcase their cooking skills and the alternative uses for beverage alcohol as a cooking ingredient, or as a suggested compliment to meals. Samples are offered to customers. The kitchen has proven quite popular, in use an average of three nights or days per week.

A smaller renovation also took place at the Weyburn liquor store

during 1998/99, with the grand reopening taking place in October. To improve customer service, the liquor store, which is located in a mall, added outside doors so it could remain open Friday and Saturday nights, rather than having to keep the same hours as the mall. The store received a complete interior facelift, with new shelving, windows added to the mall wall, and an increase in the size of the retail space, to more than 4,000 square feet.

Two facility upgrades were also announced during the year and should be underway during 1999/2000. Both resulted from partnerships formed by the Authority, the communities, and community tourism organizations.

In Moose Jaw, the Authority announced plans to partner with the city and the city's tourism groups in renovating the former CP Rail Station on Main Street in that community for use as a liquor store. The heritage building is presently vacant and deteriorating. Renovating the station as a liquor store will provide a boost to the community's plans to revitalize its downtown, and efforts to join with the community's tunnel tourism initiatives will be made.

Federal government approval is required for the renovations; the Authority's landlord for the site will be obtaining the appropriate approvals and then construction will commence.

Once construction is complete on the new store, the Fairford Street liquor store in Moose Jaw will move its operations to the new building, and the Fairford Street building will be sold by the Authority. Operations at the South Hill liquor store in Moose Jaw will not be affected.

The second partnership project announced was in Humboldt, in February 1999. Through a partnership with the community and its tourism group, the Authority has agreed to refurbish its liquor store by incorporating the town's German theme. A facility improvement was required at the store, and will include an expansion of retail space and complete renovations. By incorporating the German architectural style, the Authority is able to assist the community in revitalizing its business district around a common theme.

In addition to renovations of facilities, the Authority also tested a kiosk information system in the Victoria East store in Regina during 1998/99.

The kiosk operates with touch screen technology, providing easy access to clients to information about: all products carried by the Authority; services available through the liquor stores; in-store events, such as tastings; and general consumer information, such as recipes. Information on the system is updated once a week from Head Office.

The Authority tested a kiosk information system in the Victoria East store in Regina during 1998/99.

The service has been well-received and the technology is very user-friendly. The Authority is now considering implementing the kiosks in a number of other stores. The kiosks are produced by a Regina firm, Global Kiosk. Other liquor jurisdictions and other industries, such as the grocery industry, are also considering using this technology in their own stores.

The kiosk also provides a database which will be easily convertible to the Internet, once the Authority is prepared to make that move.

A second major customer enhancement introduced, in August 1998, is the gift certificate program. This is the first time the Authority has offered gift certificates and the response has been positive, with sales of approximately $1,775 per month during the first nine months of its

operation. Denominations of $10, $25 and $50 are available.

Debit and credit card usage also continued to climb, as customers appreciated these easy, electronic payment methods in the stores. In 1998/99, debit card usage increased by 26 per cent from the year before, to make up 16.4 per cent of total store sales, and credit card sales increased by 19.4 per cent, representing approximately 12.2 per cent of store sales. In total, purchases paid for by credit and debit cards now make up

almost 29 per cent of the transactions at the Authority's liquor stores.

Sales

Liquor sales increased overall by approximately two per cent this year, marking the fifth year in a row sales have climbed.

Refreshment beverage sales were again a leader, increasing by 30 per cent, following a 19 per cent jump last year. Within the category, spirit-based coolers realized a 47 per cent growth in volume, contributing significantly to the strong category performance. In addition, cider volume increased 20 per cent, continuing to gain favour with consumers.

Liquor sales increased overall by approximately two per cent this year. Beer sales and wine sales increased 1.5 per cent and 2 per cent respectively. Spirit sales rose by 0.2 per cent.

Beer sales and wine sales were the next highest, with increases of 1.5 per cent and 2 per cent respectively. In the beer category, bottled beer again captured the dominant share of overall category volume at approximately 79 per cent, with canned representing 14 per cent, and keg draught representing seven per cent. In the wine category, blush wines increased by 25.5 per cent, and red table wine sales were up by 4.5 per cent. Both gains were at the expense of white table wines.

Spirit sales rose only marginally, by 0.2 per cent. Within this category, the vodka and liqueur sections both saw positive growth, up 2.1 per cent and 4.4 per cent respectively. However, a 2.1 per cent decline in the high volume Canadian Whisky subcategory offset the gains realized in the growth categories.

Listings and Distribution

In response to increased sales volumes, the Authority increased its product listing base during the year. General listings rose by 58 to

Wine, Coolers and Spirits Purchased

Fiscal Year Ending March 31, 1999

Country	('000's)
Canada	$ 27,900
Australia	102
Chile	139
France	1,023
Germany	354
Greece	91
Ireland	308
Italy	1,002
Portugal	132
South Africa	134
United Kingdom	846
United States	2,531
Other	1,123
Total Wines and Spirits Purchased	$ 35,685

Beer Purchased

Fiscal Year Ending March 31, 1999

Domestic	('000's)
Molson Saskatchewan Brewery Ltd., Saskatchewan	$ 58,075
Labatt's Saskatchewan Brewery Ltd., Saskatchewan	38,265
Great Western Brewing Co., Saskatchewan	3,973
Big Rock Brewery Ltd., Alberta	385
	100,698

Imported	
Canadian Agents	401
United States	7
Other	319
Total Beer Purchased	$ 101,425

NOTE: Beer purchases from domestic brewers includes excise tax and is purchased F.O.B. the retail outlet.

1,082 varieties during the year. Specialty wine and spirit entries increased by 72 to 645. Domestic beer offerings remained stable, while micro-brewery and imported beer entries rose from 25 to 35 in response to growing consumer interest in these subcategories.

The Authority's distribution centre processed 11,734 orders this year. At an average of 149 cases per order for stores, and 25 cases per order for franchises, the warehouse handled almost 2.2 million cases of product.

Franchise Outlets

as at March 31, 1999

Abbey
Admiral
Alida
Allan
Alsask
Alvena
Arborfield
Arcola
Asquith
Avonlea
Balcarres
Balgonie
Beechy
Bengough
Bethune
Big River
Birch Hills
Bjorkdale
Blaine Lake
Bredenbury
Brock
Bruno
Buchanan
Burstall
Cabri
Calder
Candle Lake
Canwood
Carnduff
Central Butte
Ceylon
Chaplin
Choiceland
Churchbridge
Climax
Cochin
Coleville
Colonsay
Conquest
Consul
Coronach
Craik
Craven
Cudworth
Cupar
Cut Knife
Debden
Delisle
Denzil
Dinsmore
Dodsland
Domremy
Dorintosh
Duck Lake
Dundurn
Eastend
Eatonia
Edam
Elbow
Elrose
Emma Lake
Endeavour
Eston
Fillmore
Fox Valley
Gainsborough
Glaslyn
Glenavon
Glentworth
Goodsoil
Govan
Grayson
Grenfell
Hafford
Hanley
Harris
Hodgeville
Holdfast
Imperial
Invermay
Kelliher
Kenaston
Kenosee Lake
Kincaid
Kinistino
Kyle
Lafleche
Lake Lenore
Lampman
Landis
Langham
Lashburn
Leask
Lemberg
Leoville
Leroy
Loon Lake
Lucky Lake
Lumsden
Luseland
Macklin
MacNutt
Maidstone
Mankota
Marsden
Martensville
Marquis
Maryfield
Meota
Meskanaw
Midale
Middle Lake
Milden
Milestone
Minton
Mistatim
Montmartre
Moose Jaw C.F.B.
Morse
Mossbank
Naicam
Neudorf
Nokomis
Norquay
Ogema
Oxbow
Paradise Hill
Pelly
Pense
Perdue
Pierceland
Porcupine Plain
Punnichy
Qu'Appelle
Quill Lake
Rabbit Lake
Radisson
Radville
Redvers
Regina Beach
Riverhurst
Rocanville
Rockglen
Rose Valley
Rouleau
St. Brieux
St. Louis
Saltcoats
Sedley
Sheho
Shell Lake
Simmie
Simpson
Sintaluta
Smeaton
Southey
Spiritwood
Spiritwood Acres
Spy Hill
Star City
Stenen
Stockholm
Strasbourg
Sturgis
Theodore
Togo
Torquay
Tramping Lake
Turtleford
Val Marie
Vanguard
Vibank
Viscount
Vonda
Wapella
Warman
Wawota
Weirdale
Welwyn
White Fox
Whitewood
Willow Bunch
Wishart
Wolseley
Yellowgrass
Young
Zenon Park

Total Number 187

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Schedule of Sales by Liquor Store

Fiscal Year Ending March 31, 1999

LOCATION	STORE NUMBER	WINE, COOLERS & SPIRITS (000'S)	BEER (000'S)	TOTAL (000'S)
Assiniboia	519	$ 921	$ 231	$ 1,152
Battleford	522	892	312	1,204
Biggar	525	558	231	789
Broadview	586	257	113	370
Buffalo Narrows	606	577	360	937
Canora	536	758	190	948
Carlyle	554	632	301	933
Carrot River	601	344	129	473
Creighton	542	590	132	722
Davidson	555	335	118	453
Esterhazy	556	794	276	1,070
Estevan	520	2,402	534	2,936
Foam Lake	597	520	137	657
Fort Qu'Appelle	553	1,288	378	1,666
Gravelbourg	518	494	168	662
Gull Lake	516	273	80	353
Hudson Bay	545	654	203	857
Humboldt	515	1,523	379	1,902
Indian Head	543	479	168	647
Ituna	531	311	85	396
Kamsack	512	733	239	972
Kelvington	541	466	123	589
Kerrobert	537	394	119	513
Kindersley	523	1,360	435	1,795
Kipling	528	413	122	535
La Loche	567	506	650	1,156
La Ronge	588	2,097	465	2,562
Langenburg	563	313	128	441
Lanigan	564	360	151	511
Leader	551	363	121	484
Lloydminster	548	662	87	749
Maple Creek	521	751	222	973
Meadow Lake	532	1,599	631	2,230
Melfort	524	1,362	358	1,720
Melville	514	1,093	291	1,384
Moose Jaw:				
100 Fairford St. W.	506	5,072	1,049	6,121
510-4th Ave. S.W.	562	902	296	1,198
Total Moose Jaw Stores		**5,974**	**1,345**	**7,319**
Moosomin	547	790	196	986
Nipawin	534	1,302	267	1,569
North Battleford	509	2,839	1,181	4,020
Outlook	576	472	157	629
Ponteix	579	235	76	311
Preeceville	605	469	158	627
Prince Albert:				
89 - 9th St. E.	507	3,493	566	4,059
South Hill Shoppers Mall	546	5,577	1,624	7,201
Total Prince Albert Stores		**9,070**	**2,190**	**11,260**

Schedule of Sales by Liquor Store

Fiscal Year Ending March 31, 1999

LOCATION	STORE NUMBER	WINE, COOLERS & SPIRITS (000'S)	BEER (000'S)	TOTAL (000'S)
Raymore	568	296	82	378
Regina:				
Broadway Shopping Centre	501	2,897	987	3,884
Normanview Shopping Centre	502	2,556	852	3,408
1881 Broad St.	526	2,935	601	3,536
416 Albert St. N.	550	7,191	2,505	9,696
2626 - 28th Ave.	557	7,775	1,440	9,215
4239 Dewdney Ave.	560	3,153	1,011	4,164
2550 Quance St.	580	8,214	2,566	10,780
Total Regina Stores		**34,721**	**9,962**	**44,683**
Rosetown	544	853	323	1,176
Rosthern	513	351	179	530
Saskatoon:				
401-20th St. W.	503	1,449	674	2,123
3120-8th St. E.	505	8,283	2,319	10,602
301-2nd Ave. N.	565	7,616	885	8,501
1701 Idylwyld Dr. N.	566	3,321	890	4,211
Lawson Heights	570	3,775	1,417	5,192
Confederation Park Plaza	571	6,341	2,815	9,156
Sutherland	572	2,851	743	3,594
Avalon	574	1,768	695	2,463
Market Mall	577	3,982	911	4,893
Total Saskatoon Stores		**39,386**	**11,349**	**50,735**
Shaunavon	517	551	190	741
Shellbrook	600	499	213	712
Stoughton	604	264	80	344
St. Walburg	539	308	158	466
Swift Current:				
278 1st Ave N.E.	510	2,705	653	3,358
Wheatland Mall	610	595	118	713
Total Swift Current Stores		**3,300**	**771**	**4,071**
Tisdale	538	999	312	1,311
Unity	599	616	247	863
Wadena	558	725	173	898
Wakaw	540	368	143	511
Waskesiu (Summer Only)	533	406	188	594
Watrous	530	561	192	753
Watson	549	437	161	598
Weyburn	511	2,037	273	2,310
Wilkie	527	325	199	524
Wynyard	535	609	113	722
Yorkton	508	3,912	1,040	4,952
Special Orders		1,148	0	1,148
TOTAL:		**$ 140,897**	**$ 40,585**	**$ 181,482**

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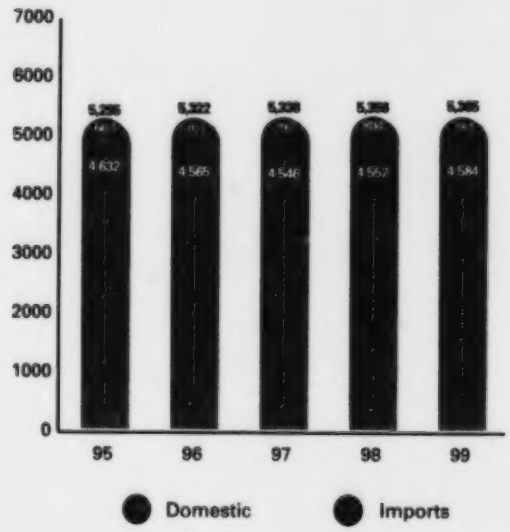
Special Orders		1,148	0	1,148
TOTAL		**$ 140,897**	**$ 40,585**	**$ 181,482**

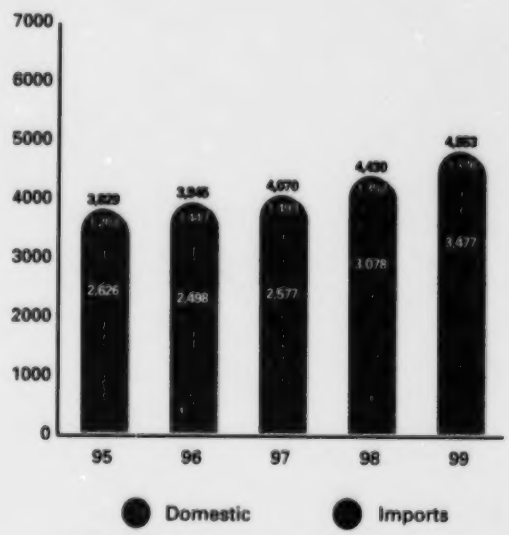
Volume of Sales - Five Year History

Financial Years ending March 31

Spirits
000's Litres

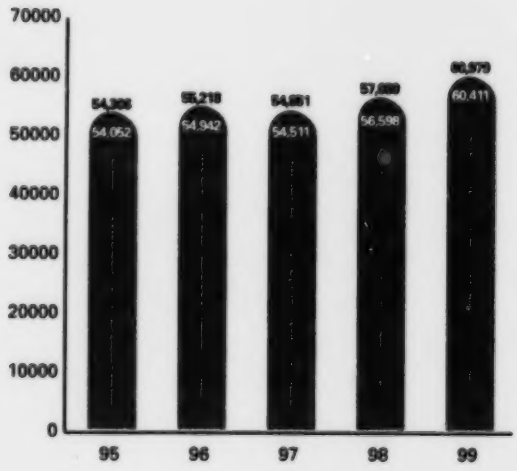


Wine and Coolers
000's Litres

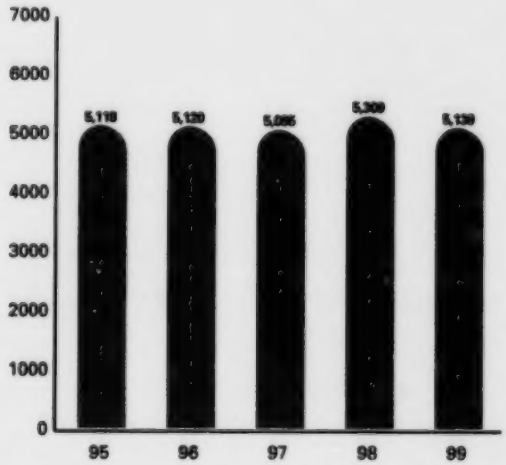


Wine includes wine and spirits which are less than 6.5% alcohol by volume.

Beer
000's Litres



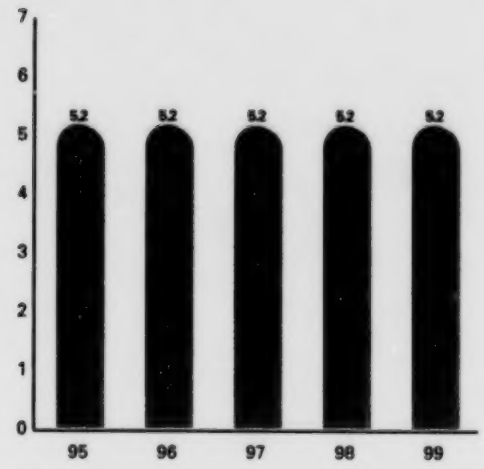
Absolute Alcohol
000's Litres



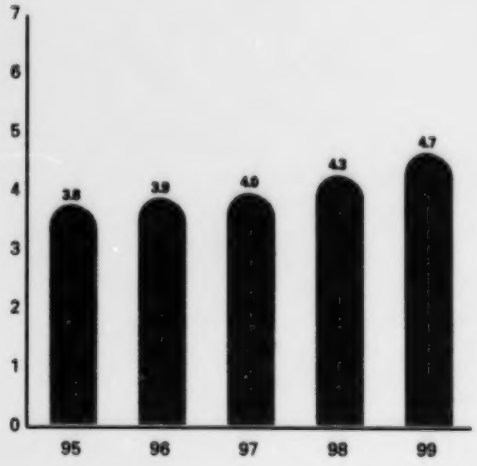
Per Capita Sales - Five Year History

Financial Years ending March 31

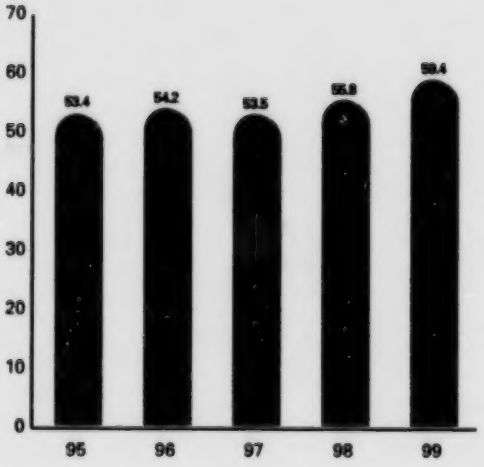
Spirits
Litres



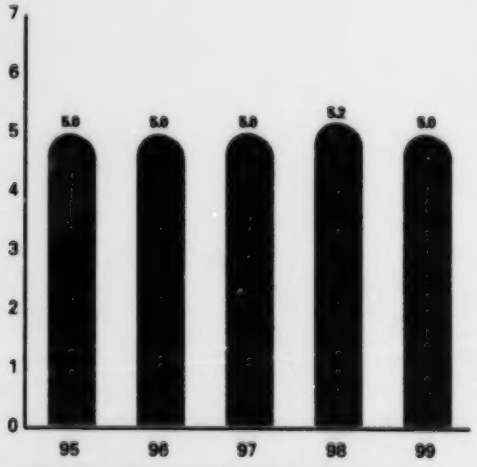
Wine and Coolers
Litres



Beer
Litres



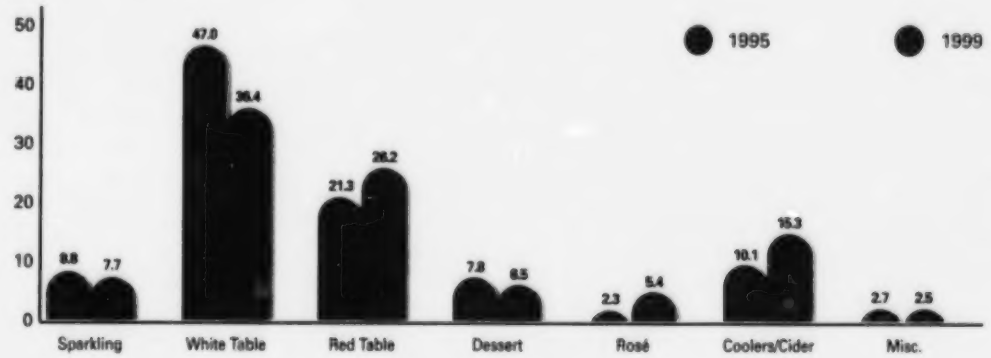
Absolute Alcohol
Litres



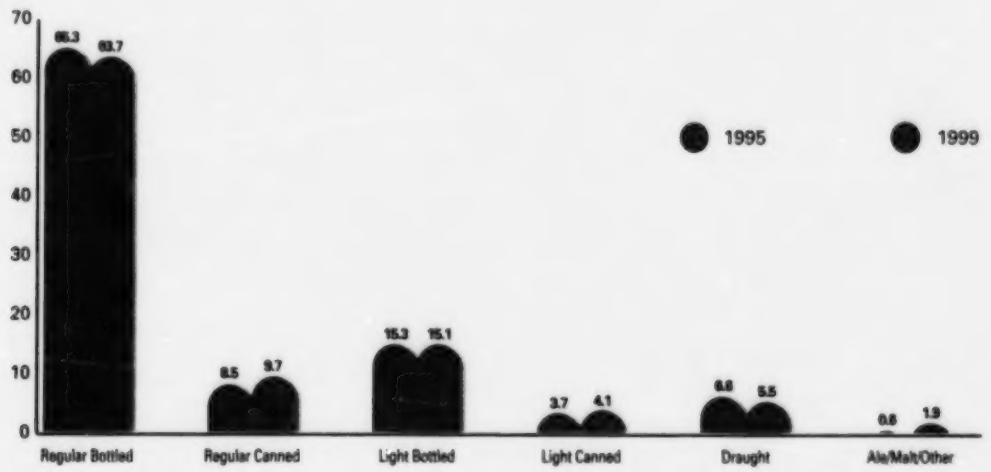
Note: The weighted average alcohol content was used to convert spirits, wine and beer to absolute alcohol.

Share of Spirit Market

Share of Wine Market



Share of Beer Market



The Liquor and Gaming Authority regulates all six of the province's full-time casino operations, as well as part-time casino operations conducted by exhibition associations periodically throughout the year. This includes regulation of both gaming and liquor activities at the casinos.

Casino Regina

Operated by the Government of Saskatchewan in cooperation with the province's First Nations, Casino Regina opened in the province's capital in January 1996.

Located in the historic Union Station, the casino is operated by the Saskatchewan Gaming Corporation, a Crown Corporation established in June 1994.

As of March 31, 1999, the casino had 426 gaming employees and 118 food and beverage employees. Fifty-one per cent of the casino's gaming employees, and 32 per cent of its food and beverage employees, are aboriginal.

Casino Regina offers seven-day-a-week entertainment opportunities with 620 slot machines and numerous table games, including roulette, poker, baccarat, Red Dog, blackjack, and big wheel.

The profits from this casino are distributed in the following manner: 50 per cent of revenues are paid to government; 25 per cent are provided to the First Nations Fund; and 25 per cent are provided to the Associated Entities Fund. Profit figures for Casino Regina are detailed in the Saskatchewan Gaming Corporation's annual reports. The gaming corporation is responsible for ensuring accountability of the funds to the Legislature and the public.

First Nations Casinos

Saskatchewan has four First Nations casinos, created as a result of a partnership between the government and the Federation of Saskatchewan Indian Nations (FSIN). This partnership, outlined in an agreement signed in February 1995, provided for the establishment of these community-scaled casinos, and created the Saskatchewan Indian Gaming Authority (SIGA), which is licensed by the Authority to conduct the casinos.

As of March 31, 1999, the First Nations casinos employed a total of 1,063 people. Seventy-one per cent of these employees are aboriginal.

The casinos share a total of 620 slot machines, and offer numerous table games on a seven-day-a-week basis. The slot machines are operated by the Liquor and Gaming Authority through its agent, the Western Canada Lottery Corporation (WCLC) in compliance with the Criminal Code of Canada.

As of March 31, 1999, the First Nations casinos employed a total of 1,063 people. Seventy-one per cent of these employees are aboriginal.

Net profits from the First Nations casinos are shared, with a portion going to the province, a portion to the First Nations Fund, and a portion to the Associated Entities Fund. In 1998/99, the province received $6.4 million, the First Nations Fund received $6.4 million, and the Associated Entities Fund received $4.2 million, for a net profit of $17 million total from all four First Nations casinos. More information on the revenue-sharing agreement between the province and the FSIN is provided in the Financial section of this report.

Gold Eagle Casino

Located in North Battleford, this First Nations casino opened in February 1996. It offers slot machines, blackjack tables, poker tables, Red Dog game, roulette tables and a big wheel. During 1998/99, a nightclub was added on to the casino as an adjoining premise.

Northern Lights Casino

Located in Prince Albert, the Northern Lights Casino is the largest of the four First Nations casinos, and opened in March 1996. With slot machines,

blackjack and poker tables, roulette games, a big wheel and baccarat and Red Dog tables, the casino also offers entertainment regularly. In 1998/99, additional sound and lighting equipment were added to the casino's stage to enhance its entertainment capabilities. A new enclosed, elevated pedestrian walkway to a nearby hotel was also completed, and a new sign was erected for the casino.

Bear Claw Casino
The Bear Claw Casino, on the White Bear Reserve, opened in November 1996. The smallest of the First Nations casinos, it is housed in a new building designed as a casino and lodge. The casino offers slot machines and a number of table games, including blackjack and poker tables, a big wheel, and roulette and Red Dog tables. Extensive landscaping plans for the casino were completed during 1998/99.

Painted Hand Casino
Located in Yorkton, the Painted Hand Casino offers slot machines and a variety of table games, including blackjack and poker tables, a big wheel, and roulette and Red Dog tables. This casino opened in December 1996.

Exhibition Casinos

The province's exhibition casinos generally operate on a temporary basis, in conjunction with annual events, such as fairs or exhibitions. As a result of casino expansion in the province, many exhibition casinos chose to discontinue their regular casino operations, and the government agreed to maintain their historic revenues from casino gaming through the Associated Entities Fund. The fund, which receives a portion of the revenues from the government casino and off-reserve First Nations casinos, is controlled by the province's Department of Municipal Affairs, Culture and Housing. Details of payments from this fund are issued each year by that department in an annual report.

This year, only one temporary casino licence was issued, for a summer fair held in Swift Current for four days in June. Two of the province's exhibition casinos do continue to operate on a permanent basis, however.

Emerald Casino
Located in Saskatoon and operated by the Saskatoon Prairieland Exhibition Corporation, the Emerald Casino offers video lottery terminals and numerous table games. This casino can operate on a seven-day-a-week basis, and during 1998/99, operated a total of 321 days.

Golden Nugget Casino
Operated by the Moose Jaw Exhibition Association and based in that city, the Golden Nugget Casino operates four days a week. It has video lottery terminals and a number of table games. In 1998/99, it operated for a total of 203 days.

The provincial video lottery terminal (VLT) program provided needed revenues to the hospitality industry again in 1998/99.

The ability of the VLT network to meet its goals was improved by continued redistribution of the VLT machines within the network.

In total, as of March 31, 1999, there were 3,497 VLTs installed in 619 sites in 321 communities. On average during the year, there were 3,558 machines installed.

A redistribution program was introduced in January 1997 given the limited number of machines in the network. The province is maintaining its cap of 3,600 machines for the program, so the machines must be used as effectively as possible. Through reviews of the financial performance of the VLTs, the Authority can ensure that each site is matched with an appropriate number of machines for its level of customer interest.

The province is maintaining its cap of 3,600 machines for the program, so the machines must be used as effectively as possible.

Each VLT machine's financial performance at its present location is assessed. Based on that assessment, the level of customer interest is determined, and the number of machines is increased or decreased to meet the level of demand. In 1998/99, the redistribution involved the relocation of 195 VLTs in the network, with 108 sites receiving VLTs and 146 sites having some machines removed. This redistribution started in December 1998 and was completed in March 1999.

Under Authority policy, each site has a minimum of three and no more than 12 machines.

In total, as of March 31, 1999, there were 3,497 VLTs installed in 619 sites in 321 communities. This figure is lower than in other years, due to the close proximity of the redistribution to fiscal year end. On average during the year, there were 3,558 machines installed.

Revenues to site contractors increased to $31 million. Provincial net VLT revenues increased to $157 million.

Revenues to site contractors and the province increased during the year, with site contractors receiving approximately $31 million in fees, an increase of approximately $2 million from the previous year. Provincial net VLT revenues also increased, to $157 million. This is an increase of approximately $14 million from the previous year.

In 1998/99, the redistribution involved the relocation of 195 VLTs in the network, with 108 sites receiving VLTs and 146 sites having some machines removed.

As of March 31, 1999

Number of VLTs	3,497
Number of Sites	619
Number of Communities	321

Video Lottery Terminals

April 1, 1998 to March 31, 1999

	(IN MILLIONS)	(IN MILLIONS)
Dollars Deposited	$ 641.1	
Value of Credits Played		$ 2,639.6
Value of Credits Won (Prizes)		$ 2,441.8
Dollars Cashed Out	$ 441.8	
Gross Revenue	$ 199.3	

Average Prize Payout =

$$\frac{\text{Value of Credits Won (Prizes)}}{\text{Value of Credits Played}} = \frac{\$\ 2,441.8}{\$\ 2,639.6} = 92.5\%$$

In 1997, the Authority identified potential computer compliance issues with respect to its VLT machines and the Year 2000. The Authority has taken steps during the 1998/99 fiscal year to ensure that the VLTs and related equipment will be compliant prior to January 1, 2000.

In administering the VLT program, the Authority is also committed to its vision of the responsible public use of this gaming product. The VLT network is carefully controlled and regulated. VLTs are only allowed in age-restricted liquor-permitted establishments, where minors can neither play the machines nor watch them being played.

During 1998/99, the Authority offered a problem gambling customer assistance program to its site contractors. One individual from each site was required to attend a one-day training session which: provided education on the issue of problem gambling, including recognizing signs and symptoms; enhanced awareness of provincial and community programs, services and resources available; and provided tools to develop socially responsible business practices. Many establishments sent more than one person to the training, with more than 800 participants in total taking part. More information about the problem gambling training program is available in the Social Responsibility section of this report.

During 1998/99, the Authority offered a problem gambling customer assistance program to its site contractors.

The province's charity gaming market remained fairly stable this year, partly as a result of some initiatives undertaken by the Authority and the industry.

The total number of licences issued dropped slightly, from 4,961 in 1997/98 to 4,867 in 1998/99. However, the total gross spend on charity games overall remained fairly stable, as did the charity share from those games.

In total, approximately $188.3 million was spent on bingo, breakopen tickets and raffles, and charities received approximately $41.1 million from these fundraising activities. This compares to approximately $192.3 million in spending in 1997/98 and a charity share of approximately $42.1 million. The decrease was centred solely in the breakopen ticket sales area.

Breakopen Ticket Sales

Breakopen ticket sales, and charity revenues from these games, have declined steadily in recent years, and this trend continued in 1998/99. Gross sales were approximately $40.6 million, compared to approximately $45.6 million in 1997/98. The charity revenues from these sales also declined, to approximately $8 million this year from $8.9 million the year before.

The Authority has been working to ensure that these revenues are protected to the extent possible. To that end, in April 1998, the Authority concluded a one-year test, in the Saskatoon market area, involving the use of breakopen ticket vending machines in selected liquor permitted venues. The beneficiary of the sales of the tickets from these machines are the Regina and Saskatoon hospitals foundations.

As a result of this test, the Authority proceeded with a Request for Proposals to provide breakopen vending machines for placement in all interested liquor permitted sites. The short-listed machines from this Request for Proposals were displayed at the trade show of the Hotels Association of Saskatchewan in Regina in March 1999 to obtain feedback. The machines were well-received and it is anticipated that many new sites will join the program to assist the base hospital foundations. Implementation of the breakopen vending machines is scheduled to begin in February 2000.

It is hoped that the vending machines will boost charity revenues from this form of gaming in the 2000/2001 fiscal year, once implementation has occurred and the machines have been in operation for several months.

Bingo

The bingo market remained stable in 1998/99, with virtually no change in gross sales or charitable revenues during the year. However, a number of initiatives were introduced to assist bingo charities in meeting their fundraising goals, and plans continue for the introduction of linked bingo in the coming year.

Gross sales for 1998/99 were $119.8 million, compared to $119.9 million the year before. Charitable revenues were relatively consistent, at $23.8 million this year, compared to $23.9 million last year.

The Authority, after consultation with the bingo industry, introduced a number of amendments to the Bingo Terms and Conditions and Authority policies regarding bingo in December 1998. The amendments included:

- increasing the event prize limit from $10,000 to $12,500;
- allowing Class A bingo licensees to exceed the $12,500 level on one occasion per month;
- improving flexibility in the use of trust account prizes;
- increasing the monthly prize limit from 63 per cent to 70 per cent;
- allowing the annual averaging of expenses, rather than requiring monthly averaging; and
- allowing the use of coupons and/or free draws at bingo halls.

These changes were made to enhance the marketing of bingo and to provide charities with increased flexibility in their operations. They have been extremely well received in the bingo community, and as a result of extensive consultations, have led to a cooperative effort from charities in developing an industry which benefits all types of operations.

Plans also continued in 1998/99 for the development of a linked bingo initiative. Sask Charities Mega Bingo will link players in the bingo halls across the province enabling them to participate in the same game, which offers a larger prize pool, as the size of the pool is dependant on the number of players. Charities will benefit by retaining the proceeds from the game. Similar games have been successfully introduced in Alberta, British Columbia and Ontario, and it is expected that the linked bingo game will assist Saskatchewan's bingo industry in remaining competitive with other entertainment and gaming options.

Implementation of the game is scheduled for February 2000, with more than 80 sites and 1,500 charities expected to participate.

In conjunction with linked bingo, a cash and paper management system will be introduced to substantially improve accountability standards and the integrity of these processes in the industry. The system will offer point of sale

equipment, inventory control, reduced cash shortages, bingo card verification and the potential for on-line financial reporting to the Authority. This will result in increased player comfort about the integrity of the game, which will be comparable to other forms of gaming. The system will be funded by the proceeds from the linked bingo game and will not require any government or charity investment.

Raffles

The raffle market saw an increase in spending in 1998/99. Gross sales increased from $26.7 million last year to $27.9 million this year, while charity revenues remained steady at $9.3 million.

The large raffle market, which includes raffles with a prize value over $100,000, appears to have stabilized this year. There were 14 large raffle licences issued during the year, compared to 15 in 1997/98. This stability would indicate that this market has found an appropriate level for this limited market.

1998/99 Charity Gaming Statistics

LICENCE TYPE	GROSS SPENDING	CHARITY SHARE	AUTHORITY ADMINISTRATION FEE RECEIPTS
Bingo	$119,792,361	$23,760,834	$79,950
Breakopen	$40,602,322	$8,045,309	$30,600
Raffles	$27,916,492	$9,340,377	$12,960
TOTALS	$188,311,175	$41,146,520	$123,510

**These figures do not include municipal bingo or raffle licensing.*

A number of new initiatives were introduced to Saskatchewan's horse racing industry in 1998/99, in an effort to assist the racetracks and industry in remaining viable. These efforts appear to have been successful, as the provincial handle increased slightly, and the number of licences issued remained fairly steady, with slight declines.

Licences

In an effort to increase efficiency, licences are now being issued for a three-year period, instead of annually. The licensing figures now reflect the number of licensees in existence, rather than the number of licences issued in each year.

The number of standardbred licences dropped only slightly this year, from 233 in 1997/98 to 221 this year. The number of thoroughbred and quarter horse licences saw a larger decline, from 735 in 1997/98 to 664 this year.

The horse racing industry believes the decline in the number of horse racing licensees is due to the need for increased incentives for horsemen. This is a key point currently being studied.

The number of standardbred licences dropped only slightly this year, from 233 in 1997/98 to 221 this year. The number of thoroughbred and quarter horse licences saw a larger decline, from 735 in 1997/98 to 664 this year.

Saskatchewan Horse Racing and Breeding Advisory Board

The future of horse racing in the province is being examined through the Saskatchewan Horse Racing and Breeding Advisory Board. The board was appointed by the Authority's Minister in January 1996, with the goal of developing a long-term strategy of innovations for enhancing the strength and viability of the horse racing industry in Saskatchewan.

The board includes representatives from all major horse racing and breeding groups in the province, as well as representatives from the province's two major race tracks. As of March 31, 1999, the board's membership consists of:

Jean Hayden - Acting Chair - Canadian Thoroughbred Horse Society - Saskatoon

Doug Cressman - Regina Exhibition Association Ltd. - Regina

Blair Anderson - Saskatchewan Speed Horse Association - Wynyard

Brian Senft - Saskatchewan Standardbred Horsemen's Association - Regina

Dwayne Yuzik - Saskatoon Prairieland Exhibition Corporation - Saskatoon.

The future of horse racing in the province is being examined through the Saskatchewan Horse Racing and Breeding Advisory Board.

As the advisory board continues its work, the Authority has made some interim efforts to provide additional support to the horse racing industry. This year, an additional $100,000 in grants was made available to each of the province's two racetracks, Marquis

Horse Inventory for 1998/99

	Thoroughbred	Quarter-Horse	Standardbred
Number of Horses	471	88	272
Number of Starts	2329	251	2354
Saskatchewan Bred	130 (28%)	18 (20%)	43 (16%)
Saskatchewan Owned	384 (82%)	37 (42%)	142 (52%)
Average Starts Per Horse	4.94	2.85	8.65

Number of Races with:

	8 Horses or More	7 Horses/ Race	6 Horses/ Race	5 Horses or Less
Thoroughbred	81 (22%)	62 (17%)	106 (29%)	119 (32%)
Quarter-Horse	8 (19%)	5 (11%)	15 (36%)	14 (33%)
Standardbred	159 (48%)	82 (25%)	55 (16%)	37 (11%)

1998/99 Horse Racing Grants

Queensbury Downs Grants - Standardbred, Quarter-Horse & Thoroughbred	
Standardbred Restricted Races	$ 30,324
Standardbred Open Races	30,324
Standardbred Incentives	16,000
Saskatchewan Colt Futurity	10,000
Standardbred Purse Support	185,329
Queensbury Downs	185,329
1997/98 Horse Racing Incentive	
Standardbred Incentive (Purse Support)	123,500
Additional Purse Support	100,000
Speed Horse Purse Support	5,000
Facility Grant	30,000
Queensbury Downs Official Training	2,067
1999 Additional Purse Support	20,000
Marquis Downs Grants - Thoroughbred & Quarter-Horse	
Thoroughbred Restricted Stakes	47,992
Thoroughbred Open Stakes	47,992
Prairie Lily Stake Race	5,000
Heritage Races Purses	16,000
Thoroughbred Mare/Futurity	5,000
Thoroughbred Incentive (Purse Support)	123,500
Thoroughbred Purse Support	291,810
Marquis Downs	291,810
Quarter-Horse Purse Support	3,000
Quarter-Horse Incentive (Purse Support)	3,000
Marquis Downs New Money	100,000
Marquis Downs Official Training	1,500
1999 Marquis Downs Operator	20,000
Other Grants	
Quarter-Horse Classic 2000	10,000
Western College of Veterinary Medicine	10,000
University of Arizona Racetrack Industry Program	7,620
Total Grants	$1,722,097

Downs in Saskatoon and Queensbury Downs in Regina. In total, the Authority returned $1.72 million to the industry in the form of grants for stake races, purse support, and other programs.

The industry itself introduced a new initiative, with Queensbury Downs incorporating quarter horse and thoroughbred racing in its standardbred program. This experiment appeared to be successful in generating additional interest from the public.

Wagering

The provincial handle consists of amounts wagered at both Marquis Downs and Queensbury Downs, as well as through simulcast racing and teletheatres. The provincial handle this year was $15,996,493, an increase of more than $100,000 from 1997/98. Live racing accounts for approximately 8.9 per cent of the provincial handle, or $1.4 million. The remainder of the handle was wagered on simulcast and teletheatre events.

The provincial handle this year was $15,996,493, an increase of more than $100,000 from 1997/98.

Live and simulcast wagering at Marquis Downs and teletheatres in Saskatoon totalled approximately $7 million. Live and simulcast

Standardbred and Speed Horse Racing in 1998 at Queensbury Downs

April 1 to October 3

Regina Exhibition Association Ltd.

Breeds Raced:	Standardbred, Quarter-Horse & Thoroughbred
Breakdown of Race Days:	49 Standardbred
	2 Quarter-Horse & Thoroughbred
Total Number of Race Days:	51
Number of Races:	368
Breakdown of Races:	334 Standardbred
	19 Quarter-Horse
	8 Thoroughbred
	7 Mixed Speed Horse
Purses:	$575,440.00
Total Live Handle:	$374,728.00

Thoroughbred and Quarter-Horse Racing in 1998 at Marquis Downs

May 30 to September 27

Saskatoon Prairieland Exhibition Corp.

Breeds Raced:	Thoroughbred and Quarter-Horse
Number of Race Days:	50
Number of Races:	376
Breakdown of Races:	351 Thoroughbred
	19 Quarter-Horse
	6 Mixed Speed Horse
Purses:	$1,050,731.00
Total Live Handle:	$1,044,357.00

Licenses Issued in 1998

Thoroughbred and Quarter-Horse		Standardbred	
Regular	- 561	Regular	- 30
Reciprocals	- 103	Reciprocals	- 95
Sundry	- 102	Sundry	- 96

wagering in Regina came to approximately $5.5 million, and the remaining $3.5 million was wagered in teletheatres in other Saskatchewan communities.

Queensbury Downs operated its season, offering standardbred and thoroughbred and quarter horse racing, from April until October of 1999. Marquis Downs, which continued to rely on thoroughbred and quarter horse racing, operated its season from May until September.

Training Opportunity

Saskatchewan hosted a Canadian Steward's Accreditation Program in February in Saskatoon. The program was sponsored by the Saskatchewan Liquor and Gaming Authority, the British Columbia Racing Commission, and the Manitoba Horse Racing Commission. The University of Arizona Racetrack Industry Program received a small grant from the Authority for conducting the program.

The objective of the course is to assure a standard of quality for stewards and judges. There are five categories of testing: legal; medications; film analysis; general; and an oral examination. A passing grade of 70 per cent must be attained in all categories to become

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accredited. A panel then assesses the individual's qualifications as an official and their years of service before the accreditation is certified.

A total of 25 people took the program. The Authority paid for the tuition, accommodations and materials for its five employees who attended, with other jurisdictions taking up the cost for their own employees. Two of the Authority's staff have been already been certified, and a third needs additional work experience prior to being approved for certification by the panel.

Pari-Mutuel Handles

	Current Year 1998	Apr. 1/98 - Mar. 31/99
[illegible]	[illegible]	[illegible]
Marquis Downs - Live Racing	1,044,357	1,044,357
Emerald Casino	2,717,227	2,436,204
Bridges Brew Pub	901,536	933,783
Champs Sports Bar	657,299	659,852
Elephant & Castle	246,207	207,072
Venice House	552,256	596,956
[illegible]	[illegible]	[illegible]
Queensbury Downs - Live Racing	374,728	374,728
Crooked Cue	213,905	189,711
Real Race Lounge	1,971,949	893,559
Prince Albert	1,108,715	1,076,996
Melfort	113,600	135,001
Davidson	53,441	15,046
Battleford	739,647	660,071
Rosetown	421,197	461,099
Moose Jaw	301,894	289,754
Melville	166,941	164,436
Swift Current	716,586	786,711
PROVINCIAL TOTAL	$ 16,100,369	$ 15,996,493

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Pari-Mutuel Handles

	Current Year 1998	Apr. 1/98 - Mar. 31/99
Saskatoon	$ 1,031,065	$ 1,031,065
Marquis Downs - Live Racing	1,044,357	1,044,357
Emerald Casino	2,717,227	2,436,204
Bridges Brew Pub	901,536	933,783
Champs Sports Bar	657,299	659,852
Elephant & Castle	246,207	207,072
Venice House	552,256	596,956
Saskatoon - Total	**7,149,947**	**6,909,289**
Regina	2,767,819	4,040,092
Queensbury Downs - Live Racing	374,728	374,728
Crooked Cue	213,905	189,711
Real Race Lounge	1,971,949	893,559
Regina - Total	**5,328,401**	**5,498,090**
Prince Albert	1,108,715	1,076,996
Melfort	113,600	135,001
Davidson	53,441	15,046
Battleford	739,647	660,071
Rosetown	421,197	461,099
Northern Teletheatres - Total	**2,436,600**	**2,348,213**
Moose Jaw	301,894	289,754
Melville	166,941	164,436
Swift Current	716,586	786,711
Southern Teletheatres - Total	**1,185,421**	**1,240,901**
PROVINCIAL TOTAL	$ 16,100,369	$ 15,996,493

The Authority's compliance branches are responsible for working to maintain the integrity and security of the province's liquor and gaming industries, and their employees.

There are presently three compliance branches within the Authority, each fulfilling a specific role in ensuring these industries are properly monitored and assisted in complying with the regulations and terms and conditions of the province.

The Inspection Services Branch conducts investigations of liquor and gaming establishments to ensure they are meeting the requirements of the regulations, and conducts security reviews. The Audit Services Branch ensures the financial activities of the industries are monitored and that they meet the required standards established by the Authority. The Community Liaison Branch assists Authority clients and stakeholders in gaining knowledge about the requirements for their participation in the liquor and gaming industries. The Authority's Licence Administration Branch also assists these branches, as required.

During 1998/99, Inspection Services conducted 2,212 full investigations into complaints and occurrences found as a result of the inspection process. In total, there were 11,866 contacts made by Inspection Services staff during the fiscal year, an increase from 6,779 in the previous year.

Of the total contacts made, 1,236 resulted from investigation and consultation involved with processing gaming employee and gaming supplier applications. Inspection Services was assisted in the registration process by the Audit Services Branch, which reviewed the financial information given to the Authority by suppliers applying for registration in the province.

In 1998/99, 2,129 gaming employees and 63 gaming suppliers were registered through this process. Last year 2,139 employees and 35 suppliers were registered.

In 1998/99, 2,129 gaming employees and 63 gaming suppliers were registered through this process. Last year 2,139 employees and 35 suppliers were registered.

The Audit Services Branch conducted 120 audits during the fiscal year, and undertook a comprehensive review of the Authority's internal audit functions.

The review assessed: audit priorities; audit processes; expectations of action upon issuance of audit reports; and the training and development of staff in the Audit Services Branch. The audit function review group made recommendations to the Authority's Executive Committee, which were accepted and are planned for implementation in the 1999/2000 fiscal year. These recommendations will ensure the Authority's Audit Services Branch is conducting its operations in the manner most suited to the Authority's mandate.

An important client of the Authority's Audit Services Branch is the province's casino industry, one of Saskatchewan's newest gaming activities. The branch conducted audits of two of the province's First Nations casinos, and participated in an operational review of Casino Regina.

The Authority's compliance branches continue to maintain a close liaison with law enforcement and other regulatory agencies. A number of major investigations are conducted in cooperation with these agencies.

In addition, the Authority's proactive program of consultation with the industry and community groups continues to show good results and will be expanded in the coming year. Part of this includes consultations with applicants for special occasion/community event permits, which have resulted in better understanding of the rules and regulations governing these

permits and fewer violations. Major permit holders such as Folkfest, the Fringe Festival, Mosaic and others meet with Inspection Services staff during the early planning stages of the event, and excellent results have been achieved.

The Authority established a Community Liaison Branch in January, 1999.

As a result of the success of this program, which has been in existence for several years, the Authority established a Community Liaison Branch in January, 1999. Education and training on the regulations and terms and conditions governing liquor and gaming in the province are offered through the branch. This includes the opportunity for one-on-one contact and group consultations, and also provides for training sessions and workshops, at the request of organizations and communities, or as a result of concerns by the Authority about the knowledge level of some groups.

The branch will also provide ongoing liaison between the Authority and other stakeholders, including law enforcement agencies, the Saskatchewan Indian Gaming Authority, other government agencies, and stakeholder groups, such as the Hotels Association of Saskatchewan and the Canadian Restaurant and Foodservices Association.

Although the branch has only been in existence for a few months, it has already provided advice through two group consultations, 16 group/community meetings, two community presentations and three community workshops. Three liaison meetings have also been undertaken. Overall feedback from stakeholders thus far has been very positive, and it appears the services offered by the new branch will be utilized on a regular basis by the Authority's clients.

Another facet of this consultation and cooperation involves the Authority's social responsibility commitment to discouraging drinking and driving, in cooperation with the province's liquor industry and other government agencies.

As part of the Authority's participation in the *Have Someone for the Road* designated driver program, inspectors have been conducting random inspections of establishments to determine which ones are promoting the program. Those establishments found to be promoting the program are then entered in an incentive draw, which offers monthly and annual prizes. There were 99 contacts made during the year for the program. The *Have Someone for the Road* program is described in more detail in the social responsibility section of this report.

Another facet of this consultation and cooperation involves the Authority's social responsibility commitment to discouraging drinking and driving, in cooperation with the province's liquor industry and other government agencies.

In total, the Inspection Services Branch employs 20 full-time staff, one half-time and one fifth-time staff member. The Audit Services Branch has the equivalent of 11 full time and one half time staff, and the Community Liaison Branch has one full-time employee.

Audits

Gaming
Bingos, Breakopens and Raffles - 74
Bingo Associations - 8
VLT Sites - 3
Gaming Suppliers - 4
Casinos - 3
Horse Racing Grant Program - 1

Liquor
Liquor Stores - 17
Liquor Permits - 3
Warehouse - 1
Beer Distributors - 2
Liquor Franchises - 2
Internal Operating System - 1
Breweries - 1

Total	120

The Liquor and Gaming Authority carries out its mandate through excellent customer service and progressive business operations, in an environment of mutual respect. During 1998/99, the Authority took a number of actions to ensure continuous improvement in these areas.

Employee Initiatives

Employees are the key resource of the Liquor and Gaming Authority. With a total staff complement of 778 as of March 31, 1999, the Authority is a significant employer, with staff located in 64 communities throughout the province.

As of March 31, 1999, the Authority employed 330 permanent, 392 part-time and 56 active casual staff. Seventy-five per cent of Authority employees, 589 people (187 permanent, 346 part-time and 56 active casual staff), were employed in the liquor store system.

The upgrade of human resource systems in early 1999 gave the Authority the capability to accurately identify the number of active employees in the organization at a given time. Previously, temporary seasonal increases in the number of casual staff were reflected in staff numbers on an ongoing basis.

As of March 31, 1999, the Authority employed 330 permanent, 392 part-time and 56 active casual staff. Seventy-five per cent of Authority employees, 589 people (187 permanent, 346 part-time and 56 active casual staff), were employed in the liquor store system.

The Liquor and Gaming Authority is committed to working in partnership with the Saskatchewan Government Employees Union (SGEU). The Authority and the three bargaining units of the SGEU - the Liquor Board, Liquor Licensing and Gaming units - who represent Authority staff are committed to negotiating a single amalgamated agreement for all in-scope employees. During 1998/99, the Authority made progress towards an amalgamated collective agreement by addressing inequities between the three current agreements in a number of areas, including establishing uniform hours of work for office employees, consistent vacancy entitlements and Authority-wide seniority for all vacancies. Preparations also began for bargaining a single collective agreement and a new contract. The next round of collective bargaining is expected to begin early in 2000.

During 1998/99, the Authority and the SGEU worked in partnership on two major initiatives: employee and family assistance services and pay equity. In conjunction with the expiry of the contract with the current Employee and Family Assistance Program (EFAP) service provider, a joint committee of in-scope and out-of-scope Authority staff oversaw an independent review of the EFAP in the fall of 1998, the first since the program's establishment. The review resulted in the selection of a new service provider and the development of a strategic plan for the program.

In conjunction with the SGEU, the Authority also began work to address the issue of ensuring equal pay for work of equal value, in accordance with the pay equity policy framework established by the provincial government. The Authority and SGEU have established a joint In-scope Classification Plan Steering Committee to oversee the development of a new classification plan for all in-scope jobs in the Authority. The committee's work began in the spring of 1999 and is expected to be completed in approximately two and a half years.

SGEU is also supporting a major initiative undertaken by the Authority in February 1999, the signing of an Aboriginal Partnership

Agreement with the provincial Department of Intergovernmental and Aboriginal Affairs. Under this partnership agreement, the first of its kind signed by a provincial government agency, the Authority will work with its employees, the SGEU and the Aboriginal community to facilitate constructive race and cultural relations and facilitate Aboriginal employment and career development in the context of a representative workforce.

The Authority and the SGEU further demonstrated their joint commitment to a diverse workforce founded upon mutual respect through the development of a Letter of Understanding for Employment Equity. Representatives of union and management are expected to sign the Letter of Understanding by the end of 1999. Selection of a joint Employment Equity Committee is expected to take place early in 2000.

The Authority also continued to invest in staff development. Through the Leadership Development Program, all permanent and part-time employees have the opportunity to discuss and learn concepts and tools to enhance their personal leadership effectiveness. As of March 31, 1999, 395 staff have participated in a customized series of workshops that develop personal life skills, focus on self-responsibility, and support the values of mutual respect, recognition, honesty and trust. The Leadership Development Program is helping to foster a supportive, accepting learning culture that embraces diversity and inclusiveness.

In 1998/99, the Liquor and Gaming Authority also became the first provincial government agency to partner with the federal government to access the Career Centre for Saskatchewan Federal Employees. Through a partnership agreement, Authority employees across the province can borrow a wide range of print, audio, video and CD-ROM learning resource information, and can register for a variety of learning opportunities coordinated by the Career Centre.

The Authority's learning initiatives in 1998/99 also included product knowledge training for store staff and Aboriginal awareness learning for managers to support the Aboriginal Partnership Agreement. Employees' individual learning needs were supported through a variety of specific courses as well as the tuition and book reimbursement program, which supports staff who devote their own time to further education.

The dedicated service of Authority employees was recognized and celebrated at two recognition receptions hosted in Regina and Saskatoon in March 1999. Authority staff who reached career milestones of 10, 15, 20, 25, 30 and 35 years of service with the provincial government during 1998/99 were recognized.

Corporate Initiatives

To improve business processes, the Authority continued its implementation of the PeopleSoft Enterprise Resource Planning ERP System during 1998/99. The implementation of PeopleSoft is addressing Year 2000 (Y2K) issues and enhancing the organization's financial and human resource business processes. Financial modules (general ledger, accounts payable and purchasing) went live in October 1998, with asset management and budget modules to be installed in late spring 1999. The new system will enable the Authority to automate many business processes and improve operational efficiency.

Preparations for the Year 2000 also included coding and testing the Authority's computerized business systems. Action plans have been developed to bring all systems to a fully compliant state. In addition, devices throughout the Authority that do or may include embedded systems were inventoried and checked wherever possible in 1998/99 for any Y2K-related issues. Non-compliant devices will either be modified or replaced by the

supplier. The Authority is planning a complete forward-date system test in the summer of 1999 to ensure Y2K readiness.

The Authority also continued its commitment to reducing and removing unnecessary bureaucracy and red-tape through the on-going implementation of its five-year regulatory reform workplan. Part of the government-wide regulatory reform process, the Authority's initiative is managed by a team of Authority employees to streamline the organization's provision of effective liquor and gaming controls.

In 1998/99, the Authority also began work to identify a more dynamic and inclusive strategic planning process to provide enhanced performance measurement information and strongly link front line operations with strategic goals and objectives. The Authority launched a pilot project to test the Balanced Scorecard model of strategic planning and performance measurement in early 1999, renaming it Balanced Perspectives to better reflect a public sector environment and the grassroots, front-line focus the Authority is taking with this project.

The Authority also responded to requests for information filed under *The Freedom of Information and Protection of Privacy Act*. During 1998/99, the Authority processed 53 requests pursuant to this legislation.

FIVE YEAR REVIEW

SALES:	1994/95 ('000'S)	1995/96 ('000'S)	1996/97 ('000'S)	1997/98 ('000'S)	1998/99 ('000'S)
Liquor Sales					
Spirits					
Canadian	$ 108,885	$105,422	$ 106,040	$ 109,567	$ 113,900
Imported	17,370	21,271	22,539	21,769	21,418
	126,255	126,693	128,579	131,336	135,318
Wines and Ciders					
Canadian	12,877	13,414	14,094	14,872	15,248
Imported	10,909	11,503	12,099	13,164	13,905
	23,786	24,917	26,193	28,036	29,093
Beer, Ale and Stout					
Canadian	134,067	137,024	138,601	149,636	155,155
Imported	1,111	1,062	1,375	1,835	2,294
	135,178	138,086	139,976	151,471	157,449
Allied Sales	55	81	83	79	103
Total Liquor Sales	**285,274**	**289,777**	**294,831**	**310,922**	**321,963**
VLT Sales	136,848	164,658	173,568	186,853	199,301
Total Sales	**422,122**	**454,435**	**468,399**	**497,775**	**521,264**
Cost of Sales	(163,425)	(172,157)	(176,182)	(188,204)	(196,206)
Gross Profit	**258,697**	**282,278**	**292,217**	**309,571**	**325,058**
Grant Income	2,112	0	0	0	0
Operating Expense	(42,611)	(45,053)	(48,182)	(50,099)	(51,314)
Other Income	6,308	7,337	8,228	28,460	27,937
Operating Income	**224,506**	**244,562**	**252,263**	**287,932**	**301,681**
Federal Tax Expense (GST)	(2,038)	(2,483)	(2,564)	(2,781)	(2,752)
Net Income	**222,468**	**242,079**	**249,699**	**285,151**	**298,929**
Beginning Retained Earnings	155,696	280,964	233,043	482,742	417,893
Transfer to General Revenue Fund	(97,200)	(290,000)	(000,000)	(350,000)	(330,000)
Ending Retained Earnings	$ 280,964	$ 233,043	$ 482,742	$ 417,893	$ 386,822

Management's Report

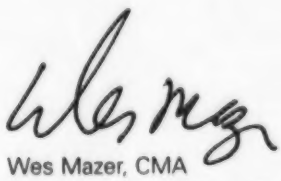
The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

Management of the Authority has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within the Authority which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the Authority's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion of the fairness of presentation of the Authority's financial statements in accordance with generally accepted accounting principles.

Dave Innes
President/CEO

Kathy Langlois
Vice-President, Corporate Services



Wes Mazer, CMA
Manager, Financial Services

Financial Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority as at March 31, 1999 and the statements of operations and retained earnings, and cash flows for the year then ended. The Authority's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

W.K. Strelioff

Wayne Strelioff, CA
Provincial Auditor

Regina, Saskatchewan
June 25, 1999

LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION

Statement 1

As at March 31

	1999 (000's)	1998 (000's)
ASSETS		
Current assets:		
Cash	$ 630	$ 841
Due from General Revenue Fund (Note 3)	43,904	31,467
Deposit in General Revenue Fund (Note 4)	318,000	352,800
Accounts receivable	11,898	14,227
Prepaid expenses	1,623	1,340
Inventories (Note 5)	12,488	12,440
	388,543	413,115
Capital assets (Note 6)	26,889	29,492
Deferred goods and services tax (Note 7)	556	822
	$ 415,988	$ 443,429
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable	$ 8,110	$ 6,965
Accrued pension costs (Note 8)	21,056	18,571
	29,166	25,536
Retained Earnings (Statement 2)	386,822	417,893
	$ 415,988	$ 443,429
Commitments (Note 9 & 18)		

See accompanying notes to the financial statements

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Statement 2

For the Year Ended March 31

	1999		1998
	Budget (000's) (Note 11)	**Actual** (000's) (Note 14)	**Actual** (000's)
Sales (Note 12)	$ 492,202	$ 521,264	$ 497,775
Cost of sales	186,818	196,206	188,204
Gross profit	305,384	325,058	309,571
Operating expenses (Schedule 1)	52,563	51,314	50,099
	252,821	273,744	259,472
Casino income (Note 13)	17,000	20,138	22,342
Other income (Schedule 2)	6,877	7,799	6,118
	276,698	301,681	287,932
Goods and services tax (Note 7)	2,903	2,752	2,781
Net income for the year	$ 273,795	298,929	285,151
Retained earnings, beginning of year		417,893	482,742
		716,822	767,893
Transfer to General Revenue Fund (Note 4)		330,000	350,000
Retained earnings, end of year - to Statement 1		$ 386,822	$ 417,893

See accompanying notes to the financial statements

LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS

Statement 3

For the Year Ended March 31

	1999 (000's)	1998 (000's)
Cash flows from operating activities:		
Cash receipts from customers	$ 546,887	$ 516,928
Interest received	4,643	3,078
Cash paid to suppliers and employees	(234,366)	(230,318)
Goods and services tax paid	(2,752)	(2,781)
	314,412	286,907
Cash flows from investing activities:		
Purchase of capital assets	(6,986)	(2,739)
Cash flows from financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(295,200)	(271,000)
Net increase in cash	12,226	13,168
Cash, beginning of year	32,308	19,140
Cash, end of year	$ 44,534	$ 32,308
Cash consists of:		
Cash	$ 630	$ 841
Due from General Revenue Fund	43,904	31,467
	$ 44,534	$ 32,308

See accompanying notes to the financial statements

March 31, 1999

1. DESCRIPTION OF BUSINESS

The Liquor and Gaming Authority operates under the authority of *The Alcohol and Gaming Regulation Act*. The Authority's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies which have been adopted are described below.

(a) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

(b) Revenue

Liquor Sales

Sales are reflected in the accounts net of returns, container deposits, GST, Liquor Consumption Tax and discounts.

Licence Fees

Pursuant to *The Gaming Licensing Regulations*, the Authority charges an application fee for gaming licences. A fee based on net revenues generated is levied only on exhibition casino licensees.

Video Lottery Sales

Revenue is recorded net of prize payouts.

(c) Inventories

Inventories of wine, coolers, spirits and beer are valued at the lower of cost and net realizable value.

(d) Capital Assets

Buildings, sites and equipment are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis at rates designed to allocate the cost of the capital assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 - 5% per annum
Equipment	15 - 33% per annum
VLTs & Slots	20% per annum

Leasehold improvements are amortized over the term of the lease.

(e) Pension Expense

The cost of pension benefits earned by employees who are members of the Authority's defined benefit plan, known as the Liquor Board Superannuation Plan, is determined using the projected benefit method prorated on the basis of term of service. It is charged in the accounts as an expense as the service is rendered. The amount of the expense reflects management's best estimate of the plan's expected investment yields, salary adjustments, mortality of members, terminations, the ages at which members will retire and ad hoc increases, based upon the Consumer Price Index, to be granted by the Lieutenant Governor in Council.

Based upon the most recent actuarial valuation of the plan, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan which is 11.5 years. The difference between the amount expensed and the amount funded is reflected as a liability on the balance sheet.

3. DUE FROM GENERAL REVENUE FUND

Most of the Authority's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. Earned interest is calculated and paid by the General Revenue Fund on a monthly basis into the Authority's bank accounts using the Government's thirty day borrowing rate and the Authority's daily bank balance. The Government's average thirty day borrowing rate for 1998/99 is 5.04% (1997/98 – 3.77%).

4. DEPOSITS IN GENERAL REVENUE FUND

These deposits represent advances to the General Revenue Fund pursuant to Section 175(5) of *The Alcohol and Gaming Regulation Act*. These amounts, which are non-interest bearing, are deposited to the credit of the Authority in the General Revenue Fund until Treasury Board directs that they be transferred to the General Revenue Fund pursuant to Section 175(1). Deposits in General Revenue Fund at March 31, were determined as follows:

	1999 (000's)	1998 (000's)
Balance at beginning of year	$ 352,800	$ 431,800
Net gaming deposits during the year	165,282	149,469
Deposits during the year pursuant to Section 175(5)	129,918	121,531
	295,200	271,000
Transfer to General Revenue Fund pursuant to Section 175(1)	330,000	350,000
Balance at end of year	$ 318,000	$ 352,800

5. INVENTORIES

	1999 (000's)	1998 (000's)
Wines, coolers and spirits in stores	$ 5,920	$ 4,803
Wines, coolers and spirits in warehouse	5,449	6,846
Beer in stores	1,119	791
	$ 12,488	$ 12,440

6. CAPITAL ASSETS

	1999			1998		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Sites	$ 2,074	$ –	$ 2,074	$ 2,074	$ –	$ 2,074
Buildings	20,516	9,223	11,293	18,783	8,660	10,123
VLTs	34,903	30,971	3,932	34,932	25,717	9,215
Slots (see Note 13)	10,184	4,490	5,694	7,548	2,053	5,495
Furniture & equipment	13,159	10,051	3,108	10,912	9,332	1,580
Leasehold improvements	3,342	2,554	788	3,069	2,064	1,005
	$ 84,178	$ 57,289	$ 26,889	$ 77,318	$ 47,826	$ 29,492

7. GOODS AND SERVICES TAX

The Authority is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, the Authority calculates and remits GST according to a formula prescribed by Revenue Canada.

The formula requires the Authority to pay 14% on the purchase of taxable goods and services related to gaming programs and 7% on VLT site contractor commissions. One-half of the GST paid on gaming program capital assets is set up as a deferred tax and is amortized on a straight-line basis over the useful life of those capital assets.

8. PENSION PLAN

The Authority maintains pension plans which provide retirement benefits for employees. The Public Employees Pension Plan is a defined contribution plan. Employee contributions to this plan are matched by the Authority on an ongoing basis. The total contributions matched in 1999 were $989,000. This equals the Authority's pension expense for members of this plan.

The defined benefit plan is administered by The Liquor Board Superannuation Commission. It provides superannuation allowances to those employees and Board members who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978.

The defined benefit plan provides for superannuation allowances which are based on employees' years of service and their highest five years' earnings. The plan requires contributions from both employees and the Authority. The latest actuarial valuation of the Liquor Board Superannuation Plan was performed at December 31, 1996 and extrapolated to December 31, 1998 by William M. Mercer Ltd. The extrapolation results in an unfunded liability of $24.3 million. This consists of the actuarial present value of accrued benefits in the amount of $38.9 million less the market value of superannuation fund assets of $14.6 million.

The pension liability is based on a number of assumptions about future events like interest and the rate of salary increases. Actual rates may vary significantly from the long term assumptions used.

The Authority is providing for the unfunded liability by accruing as an expense an amount which is in excess of that which has been funded. Included in this accrual are bridging costs and retirement allowances pertaining to the early retirement program and ad hoc increases that are subject to Lieutenant Governor in Council approval. The accrued pension costs as at March 31 were determined as follows:

	1999 (000's)	1998 (000's)
Accrued pension costs, beginning of year	$ 18,571	$ 16,426
Pension expense:		
Current service costs	429	401
Early retirement costs	27	40
Net amortization	3,408	3,568
	3,864	4,009
Less: amounts funded	1,379	1,864
Accrued pension costs, end of year	$ 21,056	$ 18,571

9. LEASE COMMITMENTS

The Authority, as lessee, is committed under operating leases on leased premises with future minimum payments due as follows:

Year Ending March 31	(000's)
2000	$ 2,100
2001	1,915
2002	1,366
2003	897
2004	813
Subsequent years	2,234
Total	$ 9,325

10. FAIR VALUE

Cash, due from General Revenue Fund, Deposits in General Revenue Fund, accounts receivable and accounts payable are all short-term in nature and as such their carrying value approximates fair value. Fair value for accrued pension costs has not been included because it is not practicable to determine fair value for pension costs.

11. 1999 BUDGET

These amounts represent the budget approved by Treasury Board.

12. SALES

	1999 (000's)	1998 (000's)
Liquor		
Wine, coolers and spirits		
In stores:		
- To permittees	$ 29,346	$ 27,512
- To public	111,552	107,883
	140,898	135,395
To franchises:		
- To permittees	5,192	5,498
- To public	20,718	20,079
	25,910	25,577
	166,808	160,972
Beer		
- To permittees	111,631	108,441
- In stores	40,585	38,780
- To franchises	2,939	2,729
	155,155	149,950
	321,963	310,922
Gaming		
VLT	199,301	186,853
Total sales	$ 521,264	$ 497,775

13. CASINO OPERATING AGREEMENT WITH THE SASKATCHEWAN INDIAN GAMING AUTHORITY

On February 10, 1995, the Government of Saskatchewan, through the Authority and the Indian and Metis Affairs Secretariat, made an agreement with the Federation of Saskatchewan Indian Nations, for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development.

To implement the above agreement, the Authority and the Saskatchewan Indian Gaming Authority (SIGA) made agreements for casino operations and slot management. The casino operating agreement requires SIGA to pay net profits from slot machines to the Authority. The slot management agreement ensures the Authority receives at least the cost of the slot machines, the related computer system and interest over 5 years. The net profits from the First Nations casinos flow through the Authority to the province's General Revenue Fund (GRF), and are appropriated to the First Nations Fund (FNF) and the Associated Entities Fund (AEF), in accordance with *The Saskatchewan Gaming Corporation Act* and the 1995 Framework Agreement.

Accounts receivable includes $6.4 million (1998 - $7.9 million) due from SIGA.

14. SEGMENTED INFORMATION

The Authority operates in three segments - liquor, VLT and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment pertains to the operation of the VLT program under the authority of Section 207 of the *Criminal Code* and *The Alcohol and Gaming Regulation Act*.

The other gaming segment reflects the activities of casinos run by the Saskatchewan Indian Gaming Authority (see Note 13). This segment also reflects the licensing and support of charitable and religious organizations who conduct and manage bingos, casinos, raffles and breakopen ticket sales and the regulation and support of the horse racing industry.

The following table shows key amounts by segment. There were no sales or eliminations between segments.

	SEGMENTS							
	LIQUOR		VLT		OTHER GAMING		TOTAL	
	1999 (000's)	1998 (000's)	1999 (000's)	1998 (000's)	1999 (000's)	1998 (000's)	1999 (000's)	1998 (000's)
Sales	$ 321,963	$ 310,922	$ 199,301	$ 186,853			$ 521,264	$ 497,775
Gross profit	156,501	151,733	168,557	157,838			325,058	309,571
Casino income	–	–	–	–	$ 20,138	$ 22,342	20,138	22,342
Other income	4,291	3,515	2,550	1,279	958	1,324	7,799	6,118
Operating expenses	31,221	29,536	11,509	13,088	8,584	7,475	51,314	50,099
Income before tax	129,571	125,712	159,598	146,029	12,512	16,191	301,681	287,932
Goods and services tax	–	–	2,673	2,693	79	88	2,752	2,781
Net income	129,571	125,712	156,925	143,336	12,433	16,103	298,929	285,151
Retained earnings, beginning of year	321,551	350,239	88,764	141,028	7,578	(8,525)	417,893	482,742
Transfer to General Revenue Fund	145,239	154,400	175,414	195,600	9,347	–	330,000	350,000
Retained earnings, end of year	$ 305,883	$ 321,551	$ 70,275	$ 88,764	$ 10,664	$ 7,578	$ 386,822	$ 417,893
Total assets	$ 334,358	$ 345,990	$ 70,947	$ 89,648	$ 10,683	$ 7,791	$ 415,988	$ 443,429
Capital expenditure	$ 3,956	$ 1,179	$ 394	$ 235	$ 2,636	$ 1,325	$ 6,986	$ 2,739
Amortization	$ 1,257	$ 1,953	$ 5,736	$ 7,383	$ 2,544	$ 1,827	$ 9,537	$ 11,163

15. RELATED PARTIES

These financial statements include transactions with related parties. The Authority is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Authority is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms.

In addition, the Authority pays Saskatchewan Provincial Sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Authority collected the following amounts for the Department of Finance:

	1999 (000's)	1998 (000's)
Container deposits on all wine, coolers, spirits and imported beer products	$ 4,319	$ 3,914
Liquor Consumption Tax	10,161	10,580
Container deposits on domestic beer sales	17,758	17,506

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

16. REGINA EXHIBITION ASSOCIATION LIMITED (ASSOCIATION)

The Authority, the Saskatchewan Gaming Corporation (SGC), and the Association entered into a tripartite agreement. The Association terminated the agreement effective November 23, 1997. The terms of the agreement require SGC or the Authority to pay the Association monthly payments of $235,417 for the first year following termination of the agreement and thereafter, monthly payments of $216,667 in each of the next 29 years.

SGC has and continues to make the required monthly payments to the Association and therefore, this long term commitment has not been reflected in these financial statements. Any changes from this arrangement will be reflected in the financial statements in the year they occur.

17. WESTERN CANADA LOTTERY CORPORATION

The Saskatchewan Video Lottery Division of the Western Canada Lottery Corporation (WCLC) managed the video lottery terminals and central computer system on behalf of the Authority throughout the year. WCLC provided accounting, purchasing, cash disbursements, human resources, and technical services for the VLT program. WCLC also manages the slot machines and related computer system at the Saskatchewan Indian Gaming Authority casinos for the Authority (Note 13).

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES

Schedule 1

For the Year Ended March 31

	1999 (000's)	1998 (000's)
Salaries, wages and fringe benefits	$ 24,576	$ 22,938
Capital asset amortization	9,537	11,163
Rent, utilities and insurance	3,784	3,590
Professional and contractual services	3,356	3,096
Grants	2,836	2,718
Operations and maintenance	1,592	1,417
Information technology	1,416	1,212
Stationery and supplies	1,190	1,122
Travel and business	1,044	897
Communications	581	629
Debit/credit charges	440	362
Service charges and interest	326	298
Customer service programs	169	196
Honoraria and related expenses	139	129
Stock dispositions	120	195
Sundry	117	86
Advertising and printing	91	51
	$ 51,314	$ 50,099

LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OTHER INCOME

Schedule 2

For the Year Ended March 31

	1999 (000's)	1998 (000's)
Interest (Note 3)	$ 4,643	$ 3,078
License and other fees	1,473	1,371
Permits	479	472
Product displays	413	335
Miscellaneous	691	693
Mark-up collections at borders	100	169
	$ 7,799	$ 6,118

The Saskatchewan Liquor and Gaming Licensing Commission is an independent body which reviews decisions of the Liquor and Gaming Authority with respect to licensing, registration, cancellation and suspension issues. Any licensing party who disagrees with a decision of the Authority has the right to apply to the Commission for an appeal. Except in unusual circumstances, the Authority's decision is stayed by the Commission Chair, pending the ruling of the Commission.

During 1998/99 the Commission scheduled 49 hearings to address the same number of requests for review of various decisions made by the Authority and objections to permits being granted. Some of the hearings continued into several days. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Thirty-three hearings were held in Saskatoon, and 16 hearings were held in Regina.

The hearings have included reviews of the Authority's decisions to grant and to refuse liquor permits and gaming licenses to various establishments, organizations and the horse racing industry. As well, registration, cancellation, and suspension issues, as well as objections to the granting of permits are heard.

During 1998/99 the Commission scheduled 49 hearings to address the same number of requests for review of various decisions made by the Authority and objections to permits being granted.

Of the 49 hearings held, 37 were liquor related, including 16 objection hearings. Ten hearings involved denials and suspensions/cancellation of gaming licenses and/or gaming employee registration certificates. There were two hearings held with respect to horse racing. No hearings were held with respect to casino activities. Four applications for review were received by written submission, where the applicant requested no oral hearing.

Commission decisions are a matter of public record.

As of March 31, 1999, the Commission members are:

Colleen L. Wilson, LL.B. - Chairperson - Saskatoon

Allan Oliver - Vice-Chairperson - Aneroid

Violet Kyliuk - Secretary - Radisson

Elaine Driver - Member - Fillmore

Michele Wilde - Member - Meadow Lake

Gilbert Pelletier - Member - Yorkton

The Commission also has a full-time Registrar/Executive Secretary.

In 1998/99, the Commission continued internal changes started in 1997 to allow it to have more authority and responsibility for the administration of its own operating budget with accountability directly to the Minister on this matter. Since 1997, the Commission has initiated procedural changes and is currently developing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to the Authority regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up-to-date in the changing environment of administrative law.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries.